Stock Code: 3530

2020 Annual Report

(This Annual Report can be accessed from: Market Observation Post System: http://mops.twse.com.tw)

Printed on April 28, 2021

I. Spokesperson:

Name: Henry Chien

Title: Director

Tel: (03) 567-8986

Email: ir@soinc.com.tw

II. Deputy Spokesperson:

Name: Steffi Huang

Title: Senior Director

Tel: (03) 567-8986

Email: ir@soinc.com.tw

III. Silicon Optronics, Inc. Addresses & Telephone Number:

Address of Headquarters: 4F., No.10-2, Lixing 1st Rd., Hsinchu Science Park, Hsinchu City 300, Taiwan R.O.C.

Tel: (03) 567-8986

IV. Transfer Agent：

Company Name: Registrar Agency, Capital Securities Corp.

Address: B2., No. 97, Sec. 2, Dunhua South Rd., Taipei City

Tel: (02) 2702-3999

Website: www.capital.com.tw

V. Certified Public Accountants for the Most Recent Fiscal Year:

Company: Deloitte Touche Tohmatsu Limited

Auditors: Ming-Yuan Chung and Cheng-Chih Lin

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City

Tel: (02)2725-9988

Website: www.deloitte.com.tw

VI. Name of Overseas Securities Dealers and the Methods to Inquire about Overseas Securities: Not applicable.

VII. Company Website: www.soinc.com.tw

Table of Contents

Chapter 1 Letter to Shareholders

Dear Shareholders,

The revenue of SOI was NT$3,328,695,000 in 2020, which increases 45% compared with 2019. The total sales volume also increased more than 60%. In 2020, the net profit after tax was NT$281,438,000, which is equivalent to 2019 NT$156,010,000 increased more than 80%. The surplus after tax per share was NT$3.65 in 2020, which increases 81.5%, higher than NT$2.01 in 2019.

In 2020, the Company will continue to develop image sensor products such as security monitoring, automotive electronics, consumer electronics, and biochips. As the overall environmental needs change, security monitoring, home safety, remote video, and various IOT consumer network cameras are showing high demand growth. We continue to develop and deepen the application of related products to expand the market and increase the added value of the products, such as launching a 360-degree panoramic camera solution for home security and video product applications, or It is a higher-resolution 4k back-illuminated sensor to meet consumers' pursuit of video quality.

In terms of application in other fields, the application of automotive imaging products is also more extensive. In addition to the standard equipment of more brands and car manufacturers, the Company has also launched a series of high-definition products to promote the reversing lens and surround view cameras. And it has been highly recognized and used by customers. In addition , the Company also successfully developed packages applying AEC-Q100 specifications for automotive pre-installed market.

In addition to the changes and impacts brought about by the COVID-19 epidemic in early 2020, the semiconductor market is also squeezed by a number of market demands, resulting in the continuous increase of production costs, which leads to a more severe and changeable business environment. In order to keep our competitive edge, we are actively developing new application lines, and enhance relationships with brand customers. In addition, our innovative products, such as BSI image sensors, NIR-enhanced technology and global shutter products are launched and already designed in with our partners for new application opportunities.

The recent pandemic cause an economic crisis, we will continue to improve our competitive strength, enhance supply chain management and develop new market in a prudent and pragmatic manner. I would like to thank our shareholders, customers, and suppliers for all your long-term support and also appreciate all my colleagues for their hard work and contributions. We will put all our efforts to keep growing and feedback to all of you.

Chairman and President
James He

Chapter 2 Company Overview

I. Date of Incorporation: The Company was incorporated on May 24, 2004 and listed on the Taiwan Stock Exchange on July 16, 2018. The headquarters is set up in Hsinchu City, and the Company has established R&D and sales sites in the United States and Mainland China.

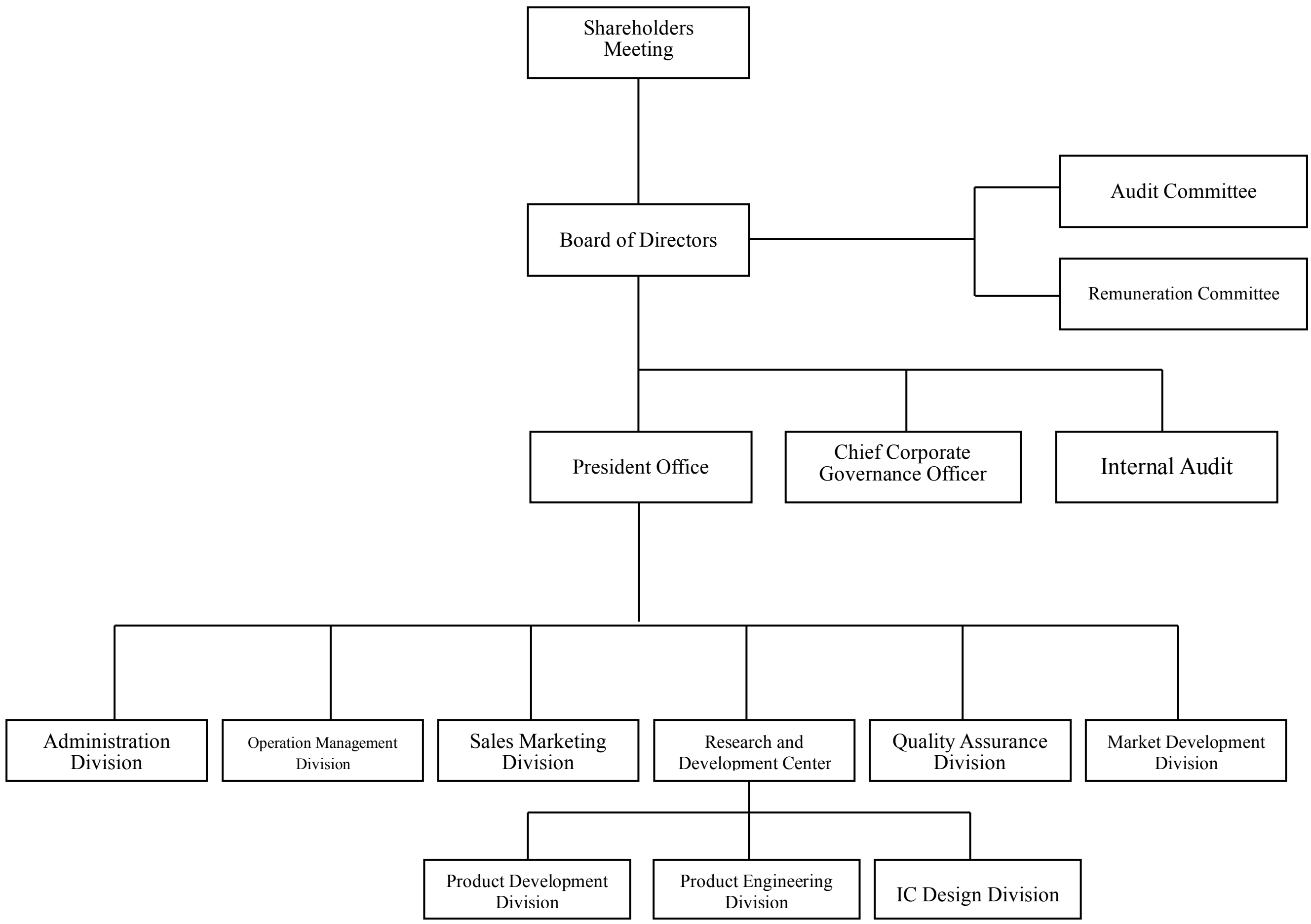
II. Milestones:

January 2004	Established the preparatory office.
May 2004	Incorporated with registered capital of NT$100 million.
July 2006	Approved by the Science-Based Industrial Park Administration to register and locate in Hsinchu Science Park District.
September 2006	Initial Public Offering.
April 2007	Registered in Emerging Stock Market.
January 2010	Passed the ISO9001 international certification.
December 2011	Established the Remuneration Committee.
March 2012	The Board of Directors has resolved to proceed the share conversion with NUEVA IMAGING, Inc, and to issue of new shares through capital increase. The proposal was adopted with approval by that year's shareholders' meeting.
September 2012	The Company and NUEVA IMAGING, Inc. completed the share conversion, capital increase, and issuance of new shares. Increased the paid-in capital to NT$620,739 thousand.
October 2012	The Company completed the capital increase by cash and paid-up capital to NT$651,009 thousand.
January 2014	Established Silicon Optronics (Shanghai) Co., Ltd.
August 2017	Re-elected the 7th Board and Mr. James He, upon expiration of the tenure, was re-elected as the Chairman.
August 2017	The first Audit Committee was established.
July 2018	Increased capital by cash of 9,285,000 shares before listing, and increase the paid-in capital to NT$772,659 thousand.
October 2018	Participated in the Beijing International Security Expo and successfully exhibited the BSI and near-infrared sensing enhancing technology.
July 2018	Listed on the Taiwan Stock Exchange.
October 2019	Participated in the Shenzhen International Security Expo, exhibiting global shutter sensor technology for industrial use during the period.
June 2020	Re-elected the 8th Session of Director.
October 2020	Introduced the BSI 4K/ 8 million sensor JX-K08
November 2020	Introduced the new generation of FSI products, JX-F53/F37 series, providing low-power consumption and better sensing effect.

Chapter 3 Corporate Governance Report

I. Organization:

(I) Organizational Chart:



(II) Department Functions:

Departments	Major Corporate Functions
President Office	1. Assist to handle the execution and coordination of the Company's business. 2. Planning of the Company's medium and long-term business strategies and evaluation of business performance. 3. Strategic planning and implementation of new businesses. 4. Ramp up production capacity and implement operational strategies.
Internal Audit	1. Inspect and evaluate the reliability and effectiveness of the Company's operating information and internal control systems. 2. Propose recommendations for improvement and facilitate effective operations.
Administration Division	1. Responsible for the management of finance, accounting and budget management. 2. Responsible for the Company's shareholder affairs and personnel affairs. 3. Responsible for the Company's legal affairs and patents. 4. Responsible for the administration of administrative affairs.
Product Development Division	1. Definition of new products. 2. Customer support. 3. Test program coding and development.
Product Engineering Division	1. Development of new product production process technology. 2. New production process research and development of wafer foundry and packaging plants. 3. Responsible for product specifications verification, failure mode analysis, mass production conditions set-up, yield rate improvement, product practical application verification and assisting clients to solve product application problems. 4. Test engineering management, packaging engineering management, wafer outsourcing engineering management. 5. Test arrangements and management. 6. Tape Out process management.
IC Design Division	1. Digital IC design and verification. 2. Assist the development of the image drill algorithm and achievement of FPGA.
Market Development Division	1. Planning of product marketing strategies. 2. Collect and analysis market information.
Sales Marketing Division	3. Product promotion and market development. 4. Review, receive, and after-sales services for customer orders. 5. Customer satisfaction survey.
Operation Management Division	1. Outsourcing production strategy, production planning, materials and warehouse management, and import/export operations. 2. Order and shipping management. 3. Procurement/outsourcing management. 4. MIS network and ERP system management.
Quality Assurance Division	1. Establish and implement quality/RSF assurance systems to improve control procedures and ensure product quality. 2. Formulate quality policies. 3. Product quality inspection, customer complaint handling and return analysis. 4. Calibration and DCC, SQE management.

II. Information on the Company's Directors, President, Vice Presidents, Deputy Vice Presidents, and the Supervisors of All the Company's Divisions and Branch Units

(I) Directors

1. Information of Directors

April 18, 2021; Unit: share; %

Title	Nationality/ Country of Origin	Name	Gender	Date Elected (Appointed)	Term of office	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Percentage	Shares	Percentage	Shares	Percentage	Shares	Percentage			Title	Name	Relationshi	
Chairman of the Board	SAMOA	Heritage Bay Limited.	-	109.06.16	3 years	105.06.08	18,676,413	23.91	18,676,413	23.91	-	-	-	-	-	-	-	-	-	-
	USA	Representative: James He	Male	109.06.16	3 years	102.06.11	150,000	0.19	150,000	0.19	-	-	-	-	MSEE, BSEE, Tsinghua University. Director & COO, OmniVision Technologies, Inc . Director, Xintec Inc Director, OmniVision Technology International Ltd. Director, OmniVision Technologies (Shanghai), Co. Ltd. Director, Shanghai OmniVision Semiconductor Technology, Co. Ltd. Chairman, Taiwan OmniVision Technologies, Inc. Chairman, Taiwan OmniVision International Holding Ltd.	Chairman and President of the Company Chairman, Nueva Imaging Inc. Chairman, Silicon Optronics Holding (Cayman) Co., Ltd. Director, Heritage Bay Limited	-	-	-	Note 1
Director	SAMOA	Heritage Bay Limited.	-	109.06.16	3 years	105.06.08	18,676,413	23.91	18,676,413	23.91	-	-	-	-	-	-	-	-	-	-
	Taiwan	Representative: Sophie Cheng	Female	109.06.16	3 years	94.03.29	-	-	-	-	-	-	-	-	Graduated from Department of Economics, National Taiwan University President, Deutron Electronics Corporation	Chairman, Optigate Inc. Director & President, Deutron Electronics Corporation Director, Powergate Optical, Inc. Director, Teknowledge Development Corp. Director, Syntronix Corporation Director, Beautimode Corporation Director, Trendforce Corp. Director, Biogate Precision Medicine Corp. Director, ATBS Technology Co., Ltd. Director, Nexchip Semiconductor Corporation Director, Taipei Computer Association Director, Taiwan IOT Technology and Industry Association	-	-	-	-
Independent Director	Taiwan	Jim Lai	Male	109.06.16	3 years	106.08.14	-	-	-	-	-	-	-	-	Master of Electrical Engineering UC Santa Barbara President, Global Unichip Corp.	Consultant, Global Unichip Corp. Consultant, DigiTimes Director, Giga Solution Tech. Co., Ltd. - Legal representative of Ardentec Technology Inc. Independent Director, Truelight Corporation Director, Wolley, Inc. (CA Inc.) Director, Megachips Corp. (TSE:6875)	-	-	-	-
Independent Director	Taiwan	JJ Lin	Male	109.06.16	3 years	106.08.14	-	-	-	-	-	-	-	-	Master of EMBA, College of Management, National Taiwan University Master of Department of Chemistry, National Tsing Hua University Consultant, KPPC Group, and Group President Executive Vice President, Global Unichip Corp. CEO, Xintec Inc. CEO & President, VisEra Technologies Company Limited Senior Director, Taiwan Semiconductor Manufacturing Company, Limited	Chairman, TEMIC Co., Ltd. Independent Director, M31 Technology Corporation Legal Representative of Director, SG Biomedical Co., Ltd. Director, STEK Co., Ltd. Director, Shuimu Angel Fund Director, TAIFLEX Scientific Co., Ltd. Director, Shuimu Chuanggu Co., Ltd. Director, Capital TEN Inc.	-	-	-	-
Independent Director	Taiwan	Chang-Chou Li	Male	109.06.16	3 years	106.12.21	-	-	-	-	-	-	-	-	Master of Accounting, University of Illinois at Urbana-Champaign CPA Partner, PricewaterhouseCoopers Taiwan	CPA, Chi Shing Accounting Firm Independent Director, Kuen Ling Machinery Refrigerating Co., Ltd.; Member, Remuneration Committee Independent Director, Evergreen Marine Corporation; Member, Audit Committee and Remuneration Committee Independent Director, Hotai Insurance Co., Ltd.; Member, Audit Committee	-	-	-	-

Note 1: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

(1) The Company is mainly engaged in the research and development, manufacturing and sales of CIS design. At present, as the Company is experiencing the growth period, the chairman concurrently holding the position of President enables the Board of Directors better grasp the operating conditions of the Company, and the flat management can bring more efficiency to the decision implementation.

(2) The Company has established an Audit Committee which, except with its functions and powers as specified, can also improve and supervise the management mechanism of the Board of Directors. Meanwhile, Independent Directors account for 60% of the total Directors of the Company, which can strengthen the supervision and checks and balances mechanism, and reduce the concentration of power and loss of objectivity and failure of effective supervision for the reason of the chairman and general manager.

2. Major Shareholders of Institutional Shareholders

Major Shareholders of the Institutional Shareholders

April 18, 2021

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholders	
Heritage Bay Limited.	XINPING HE	54.61%
	HE CHILDREN'S TRUST	39.01%
	DUIDI CHEN	4.68%
	SHURONG ZHAO	1.70%

Major Shareholders that are Institutional Shareholders: None.

3. Professional qualifications and independence of the Directors:

Qualifications / Name	Meet One of the Following Professional Qualification Requirements, together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies concurrently Serving as an Independent Director
	An Instructor or Higher in A Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in A Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed A National Examination and Been Awarded A Certificate in A Profession Necessary for the Business of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Heritage Bay Limited Representative: James He			√						√		√	√	√	√		-
Heritage Bay Limited Representative: Sophie Cheng			√			√		√	√	√	√	√	√	√		-
Jim Lai			√	√	√	√	√	√	√	√	√	√	√	√	√	1
JJ Lin			√	√	√	√	√	√	√	√	√	√	√	√	√	1
Chang-Chou Li		√	√	√	√	√	√	√	√	√	√	√	√	√	√	3

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

(1) Neither an employee of the Company nor its affiliates.

(2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (2) and (3).

(5) Neither a Director, Supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1

or 2 of the Company Act. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(7) If the Chairperson, President, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(8) Neither a Director, Supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship with any Director.

(11) No any circumstance set out in a subparagraph of Article 30 of the Company Act.

(12) No Director is a government agency, juristic person, or representative thereof, and was elected in accordance with Article 27 of the Company Act.

(II) Information of the President, Vice Presidents, and Officers

April 18, 2021; Unit: share; %

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (Education)	Serves currently as	Managers who are Spouses or Second degree relative			Remarks
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
President	USA	James He	Male	2012.02.10	150,000	0.19	-	-	-	-	MSEE, BSEE, Tsinghua University. Director & COO, OmniVision Technologies, Inc . Director, Xintec Inc Director, OmniVision Technology International Ltd. Director, OmniVision Technologies (Shanghai), Co. Ltd. Director, Shanghai OmniVision Semiconductor Technology, Co. Ltd. Chairman, Taiwan OmniVision Technologies, Inc. Chairman, Taiwan OmniVision International Holding Ltd.	Chairman, Nueva Imaging Inc. Chairman, Silicon Optronics Holding (Cayman) Co., Ltd. Director, Heritage Bay Limited	-	-	-	(Note 2)
Vice President, Marketing Division	Singapore	Peter Zung	Male	2013.03.05	1,311,000	1.68	-	-	-	-	University of California, San Diego_ IR/ PS University of California, Berkeley Bachelor, Chemistry Vice President, VisEra Technologies Company Limited	Vice President, Nueva Imaging Inc	-	-	-	-
Vice President, R&D Center	USA	Denis Luo	Male	2013.03.05	4,583,587	5.87	-	-	-	-	Tsinghua University. SR. DIRECTOR OF MIXED SIGNAL GROUP DIRECTOR OF MIXED SIGNAL GROUP	Vice President, Nueva Imaging Inc	-	-	-	-
Chief Technology Officer	USA	Ming Li	Male	2014.12.10	505,000	0.65	-	-	-	-	PhD in Electronic System Parts and Microelectronics, Southeast University Senior Manager, Taiwan Semiconductor Manufacturing Company, Limited	CTO, Nueva Imaging Inc	-	-	-	-
Finance and Accounting Officer, Senior Director of Administration Division	Taiwan	Steffi Huang	Female	2017.06.12	249,000	0.32	-	-	-	-	Master, College of Technology Management, National Tsing Hua University Assistant Manager, Audit Department, KPMG	Supervisor, Silicon Optronics (Shanghai) Co., Ltd.	-	-	-	-
Director & Spokesperson, Marketing Division	Taiwan	Henry Chien	Male	2019.10.01	20,000	0.03	9,000	0.01	-	-	Master, Department of Hydraulic and Ocean Engineering, National Cheng Kung University Sales Manager & Spokesperson, Aethertek technology co., Ltd.	-	-	-	-	-
Sales Marketing Division Senior Director	Taiwan	Bryce Li	Male	2019.12.01	20,000	0.03	1,000	0.001	-	-	Master, Computer Mathematics, Michigan State University Marketing Manager, International Business Machines Corporation Branch President, Taiwan Omnivision Technologies Co., Ltd.	-	-	-	-	-

Note 1: Shareholding ratio is calculated based on the number of 78,110,900 shares outstanding of the Company.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

(1) The Company is mainly engaged in the research and development, manufacturing and sales of CIS design. At present, as the Company is experiencing the growth period, the chairman concurrently holding the position of President enables the Board of Directors better grasp the operating conditions of the Company, and the flat management can bring more efficiency to the decision implementation.

(2) The Company has established an Audit Committee which, except with its functions and powers as specified, can also improve and supervise the management mechanism of the Board of Directors. Meanwhile, Independent Directors account for 60% of the total Directors of the Company, which can strengthen the supervision and checks and balances mechanism, and reduce the concentration of power and loss of objectivity and failure of effective supervision for the reason of the chairman and general manager.

III. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), the President, and Vice Presidents:

(I) Remuneration of Directors (including Independent Director): (name and remuneration type disclosed collectively based on remuneration range)

Unit: NT$ thousand; thousand share

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Total A, B, C, D as % of EAIT</th><th colspan="8">Remuneration from concurrent position as employee</th><th colspan="2" rowspan="2">Total A, B, C, D, E, F,G as % of EAIT</th><th rowspan="4">Remuneration from Invested Companies Other than Subsidiaries or the Parent Company</th></tr>
<tr><th colspan="2">Base Compensation (A) (Note 1)</th><th colspan="2">Pension (B) (Note 2)</th><th colspan="2">Remuneration to Directors (C) (Note 3)</th><th colspan="2">Business Expenses (D) (Note 4)</th><th colspan="2">Salary, Bonuses, and Special Expenses (E) (Note 5)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee Bonus(G)(Note 3)</th></tr>
<tr><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th colspan="2">SOI</th><th colspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th></th><th></th><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Corporate Director</td><td>Heritage Bay Limited</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1,500</td><td>1,500</td><td>0</td><td>0</td><td>0.53%</td><td>0.53%</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.53%</td><td>0.53%</td><td>None</td></tr>
<tr><td>Chairman and President</td><td>James He (Note 6)</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>120</td><td>0</td><td>0</td><td>0</td><td rowspan="2">2,272</td><td rowspan="2">11,523</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">3,800</td><td rowspan="2">0</td><td rowspan="2">3,800</td><td rowspan="2">0</td><td rowspan="2">2.21%</td><td rowspan="2">5.50%</td><td rowspan="3">None</td></tr>
<tr><td>Director and Vice President</td><td>Peter Zung (Note 7)</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>40</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td>Sophie Cheng (Note 8)</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>80</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.03%</td><td>0.03%</td></tr>
<tr><td>Independent Director</td><td>Chang-Chou Li</td><td>600</td><td>600</td><td>0</td><td>0</td><td>750</td><td>750</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td><td rowspan="3">None</td></tr>
<tr><td>Independent Director</td><td>JJ Lin</td><td>600</td><td>600</td><td>0</td><td>0</td><td>750</td><td>750</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td></tr>
<tr><td>Independent Director</td><td>Jim Lai</td><td>600</td><td>600</td><td>0</td><td>0</td><td>750</td><td>750</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0.48%</td><td>0.48%</td></tr>
<tr><td colspan="23">* Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.</td></tr>
</table>

Remuneration Ranges

Remuneration Ranges	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	SOI	Consolidated Entities	SOI	Consolidated Entities
Less than NT$1,000,000	James He, Peter Zung, Sophie Cheng	James He, Peter Zung, Sophie Cheng	Sophie Cheng	Sophie Cheng
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	Heritage Bay Limited Jim Lai, JJ Lin, Chang-Chou Li	Heritage Bay Limited Jim Lai, JJ Lin, Chang-Chou Li	Heritage Bay Limited Jim Lai, JJ Lin, Chang-Chou Li	Heritage Bay Limited Jim Lai, JJ Lin, Chang-Chou Li
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	-	-	-	-
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000 (inclusive)~ NT$10,000,000 (exclusive)	-	-	James He, Peter Zung	James He, Peter Zung
NT$10,000,000 (inclusive)~ NT$15,000,000 (exclusive)	-	-	-	-
NT$15,000,000 (inclusive)~ NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive)~ NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	-	-	-	-

Note 1: The remuneration of Directors in 2020 includes remuneration for serving as Directors and members of functional committees under the Board of Directors.

Note 2: No pension were paid out to any Director in 2020.

Note 3: The 2020 Directors and Employees Remuneration Scheme has been approved by Board of Directors on March 10, 2021.

Note 4: Business expense of NT$240,000 paid to Directors was traveling expenditure.

Note 5: Salaries, bonuses and special expenses include estimated share-based compensation.

Note 6: It is the legal representative of Heritage Bay Limited

Note 7: It is the legal representative of Heritage Bay Limited and was disappointed after the reelection of the shareholders' meeting on June 16, 2020.

Note 8: It is the legal representative of Heritage Bay Limited and was appointed after the reelection of the shareholders' meeting on June 16, 2020.

(II) Remuneration of President and Vice President (name and remuneration type disclosed collectively based on remuneration range)

Unit: NT$ thousand; thousand share

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B)
(Note 1)</th><th colspan="2">Bonuses and Allowances (C)
(Note 2)</th><th colspan="4">Employee Compensation (D)
(Note 3)</th><th colspan="2">Ratio of Total Compensation (A+B+C+D) to Net Income (%)</th><th rowspan="3">Remuneration from Invested Companies Other than Subsidiaries or the Parent Company</th></tr>
<tr><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th><th colspan="2">SOI</th><th colspan="2">Consolidated Entities</th><th rowspan="2">SOI</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>James He</td><td rowspan="4">2,285</td><td rowspan="4">17,646</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">2,245</td><td rowspan="4">2,245</td><td rowspan="4">6,800</td><td rowspan="4">-</td><td rowspan="4">6,800</td><td rowspan="4">-</td><td rowspan="4">4.03%</td><td rowspan="4">9.48%</td><td rowspan="4">None</td></tr>
<tr><td>Vice President</td><td>Denis Luo</td></tr>
<tr><td>Vice President</td><td>Peter Zung</td></tr>
<tr><td>Chief Technology Officer</td><td>Ming Li</td></tr>
</table>

Remuneration Ranges

Range of remuneration paid to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	SOI	Consolidated Entities
Less than NT$1,000,000	-	-
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	James He, Ming Li Peter Zung, Denis Luo	-
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)~ NT$10,000,000 (exclusive)	-	James He, Ming Li, Peter Zung, Denis Luo
NT$10,000,000 (inclusive)~ NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive)~ NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive)~ NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)~ NT$100,000,000 (exclusive)	-	-
Over NT$100,000,000	-	-
Total	-	-

Note 1: No pension were paid out to any Director in 2020.

Note 2: Salaries, bonuses and special expenses include estimated share-based compensation.

Note 3: The 2020 Employees Remuneration Scheme has been approved by Board of Directors on March 10, 2021.

(III) Names of Managers and the Allocation of Employee's Remuneration:

Unit: NT$ thousand; thousand share

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James He	0	9,592	9,592	3.41%
	Vice President, Marketing Division	Peter Zung				
	Vice President, R&D Center	Denis Luo				
	Chief Technology Officer	Ming Li				
	Finance and Accounting Officer, Senior Director of Administration Division	Steffi Huang				
	Director & Spokesperson, Marketing Division	Henry Chien				
	Senior Director, Marketing Division	Bryce Li				

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

1. Analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to the Directors, Presidents and Vice Presidents of the Company:

December 31, 2020; Unit: NT$ thousand

Title	2020		2019	
	SOI	Consolidated Entities	SOI	Consolidated Entities
Director	1.33%	1.33%	1.60%	1.60%
President and Vice President	4.03%	9.48%	5.26%	15.56%

2. The policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure:

   The remuneration of the Directors shall be paid in accordance with the Company's Articles of Incorporation; remuneration for the President and Vice Presidents shall be determined in accordance with the Company's salary policy. The payout of bonuses shall be based on the Company's management performance and individual performance.

IV. Implementation of Corporate Governance

(I) The state of Operations of the Board of Directors:

A total of 6 meetings (A) have been held by the Board of Directors in 2020, with the Directors' attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note)	Remarks
Chairman of the Board	James He	6	0	100.00%	-
Director	Sophie Cheng	4	0	100.00%	Newly appointed upon reelection of the board of shareholders on June 16, 2021
Director	Peter Zung	2	0	100.00%	Disappointed upon reelection of the board of shareholders on June 16, 2021
Independent Director	Jim Lai	6	0	100.00%	-
Independent Director	JJ Lin	6	0	100.00%	-
Independent Director	Chang-Chou Li	6	0	100.00%	-

Note: Actual attendance (appearance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual attendance (appearance) during the term of service.

Other mentionable items:

1. Matters referred to in Article 14-3 of the Securities and Exchange Act and any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement:

Date and Session of the Board Meeting	Content of Motion and Follow-up Actions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2020.03.17 The 18th Meeting of the 7th Board	1. Discussion on the Company's Distribution Plan of the Remuneration to Employees and Directors for the Year 2019. 2. Discussion on the Company's 2019 Business Reports and Financial Statements. 3. Discussion on the Company's 2019 Earning Distribution Plan. 4. Discussion on the Company's Statement on Internal Control Systems for the Year 2019. 5. Discussion on the proposal of formulation of the Company's Audit Committee Charter. 6. Convening of the Company's 2020 General Shareholders' Meeting.	Yes	None
	Resolution Results: Proposal 1 has been reviewed by the Company's Remuneration Committee. Since some Directors were also serve as managers of the Company and did not participate in the discussion and voting of this proposal, it was presided over by other Directors on their behalf, and the proposal was approved by other Directors present without any objection after consultation. Proposal 2 & 3 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present. Proposal 4 & 5 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present. Proposal 6 has been adopted by the resolution of all the Directors present.		
2020.06.06 The 19th Meeting of the 7th Board	1. Amendment to the Management Measures for the Preparation of Financial Statements.	Yes	None
	Resolution Results: Proposal 1 has been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present.		
2020.11.10 The 4th Meeting of the 8th Board	1. Discussion on the Company's 2021 Annual Audit Plan. 2. Discussion on the Company's amendment to the Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises. 3. Discussion on the Company's amendment to the Company's Codes of Ethical Conduct.	Yes	None
	Resolution Results: Proposal 1-3 has been discussed and approved by the Audit Committee of the Company and adopted by all the Directors present.		

2. Any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.
3. Where a Director recuse himself or herself from a proposal in which he/she has a personal interest, the name of the Director, the content of proposal, the reason for recusal and the results of the voting should be stated:

Date of Meeting	The Board Meeting		Proposal Content	Resolution
2020.03.17	7th Board	18th Meeting	Distribution Plan of remuneration for Directors and Managers for 2019	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.
2020.11.10	8th Board	4th Meeting	The awarding principles of year-end bonus and the managers' compensation for the year 2020	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.
			The salary and compensation items that the managers propose to implement in 2021	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.

4. Cycles, periods, scope, method, contents and other matters of the self-evaluation by the board members of themselves:

Frequency	Period	Scope	Method	Content
Once a year	2020.01.01 ~ 2020.12.31	Includes the performance evaluation of the board, individual Directors and functional committees	Internal self-evaluation of the Board of Directors/ Self-evaluation of the Board members	The criteria for internal self-evaluation of the overall performance of the Board of Directors shall cover the following five aspects: A. Participation in the operation of the Company B. Improvement of the quality of the Board of Directors' decision making C. Composition and structure of the Board of Directors D. Election and continuing education of the Directors; and E. Internal control The criteria for evaluating the performance of the board members, shall cover the following six aspects: A. Alignment of the Company's goals

				and tasks B. Awareness of the duties of a Director C. Participation in the operation of the Company D. Management of internal relationship and communication; E. The Director's professionalism and continuing education; and F. Internal control The criteria for evaluating the performance of functional committees, shall cover the following five aspects: A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members; and E. Internal control.

The Company has completed a self-evaluation of the performance of the Board of Directors for the year of 2020 and reported the results to the Board of Directors for the first quarter of 2021 for review and improvement. The overall average score of board performance self-evaluation is 4.98 (full score: 5), and the overall average score of individual board members is 4.9 (full score: 5), indicating that the overall Board of Directors operates well. The performance self-evaluation result of functional committee was 4.86, and all members were satisfied with the measured items.

5. An evaluation of targets (e.g. the establishment of an Audit Committee and the improvement of information transparency, etc.) for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:
   A. Establish a Remuneration Committee and an Audit Committee: The Company established the Remuneration Committee on December 22, 2011, elected the Independent Directors at the temporary meeting of shareholders on August 14, 2017 and also established the Audit Committee on August 23, 2017 to strengthen the Board of Directors' execution of its powers.
   B. Strengthen corporate governance: The Company has established the Corporate Governance Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct and Corporate Governance Best Practice Principles, which have been adopted by resolution by the Board of Directors.

Attendance of Independent Directors on the Board Meeting in 2020

Name of Independent Director	The 18th Meeting of the 7th Board	The 19th Meeting of the 7th Board	The 1st Meeting of the 8th Board	The 2nd Meeting of the 8th Board	The 3rd Meeting of the 8th Board	The 4th Meeting of the 8th Board
Chang-Chou Li	◎	◎	◎	◎	◎	◎
JJ Lin	◎	◎	◎	◎	◎	◎
Jim Lai	◎	◎	◎	◎	◎	◎

◎: Attendance in person

(II) The Operation of the Audit Committee

A total of 6 meetings (A) have been held by the Audit Committee in 2020, with the attendance of Independent Directors shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Chang-Chou Li	6	0	100.00%	-
Members	JJ Lin	6	0	100.00%	-
Members	Jim Lai	6	0	100.00%	-

Note: The actual attendance rate (%) shall be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

Other mentionable items:

I. If the Audit Committee has any of the following circumstances, the date, period, proposal content, the resolution of the Audit Committee and the Company's reaction toward the Audit Committee's opinions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act

Date and Session of the Board Meeting	Content of Motion and Follow-up Actions	Matters referred to in Article 14-5 of the Securities and Exchange Act	Resolutions Passed by More Than Two-thirds of All Directors but Without Approval of the Audit Committee
2020.03.17 The 18th Meeting of the 7th Board	1. Adoption of the Company's 2019 Business Report and Financial Statements. 2. Adoption of the Company's 2019 Earning Distribution Proposal. 3. Adoption of the Company's Statement on Internal Control System for the Year 2019. 4. Adoption of the proposal of the amendment to the Company's Audit Committee Charter.	Yes	None
	Resolution Results of the Audit Committee (March 17, 2020) : Adopted by all members of the Audit Committee.		
	Resolution Results of the Company: Approved by all the Directors present.		
2020.05.06 The 19th Meeting of the 7th Board	1. Adoption of the Consolidated Financial Statements for the first quarter of 2020 of the Company. 2. Adoption of the amendment to the Management Measures for the Preparation of Financial Statements.	Yes	None
	Resolution Results of the Audit Committee (May 6, 2020) : Adopted by all members of the Audit Committee.		
	Resolution Results of the Company: Approved by all the Directors present.		
2020.08.11 The 3th Meeting of the 8th Board	1. Adoption of the Consolidated Financial Statements for the second quarter of 2020 of the Company.	Yes	None
	Resolution Results of the Audit Committee (August 11, 2020) : Adopted by all members of the Audit Committee.		
	Resolution Results of the Company: Approved by all the Directors present.		
2020.11.10 The 4th Meeting of the 8th Board	1. Adoption of the Consolidated Financial Statements for the third quarter of 2020 of the Company. 2. Adoption of the company's 2021 Annual Audit Plan. 3. Adoption of the Company's amendment to the Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises. 4. Adoption of the Company's amendment to the Company's Codes of Ethical Conduct.	Yes	None
	Resolution Results of the Audit Committee (November 10, 2020) : Adopted by all members of the Audit Committee.		
	Resolution Results of the Company: Approved by all the Directors present.		

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. Where an Independent Director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the Independent Director, the content of proposal, the reason for recusal and the results of the voting should be stated:

Date of Meeting	The Board Meeting		Proposal Content	Resolution
2020.03.17	7th Board	18th Meeting	Distribution Plan of remuneration for Directors and Managers of 2019	Due to conflict of personal interest, Independent Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.

III. Communication between the Supervisors, Internal Audit Officer and CPAs (It shall include the major matters, methods and results of communication on the Company's financial and business status):

A. The Independent Directors of the Company regularly communicate with the chief internal auditor at the Audit Committee and the Board of Directors, and the interaction is good. The chief internal auditor regularly reports the implementation and improvement of the audit plan in the meetings, and communicates and exchange opinions on the effectiveness of the internal control executed by the Company.

B. The Independent Directors of the Company regularly communicate with CPAs at the Audit Committee and exchange opinions. The CPA has fully discussed the review or audit status of the Company's financial statements, or issues related to finance, taxation, and internal control with the Independent Directors at the meeting.

Communication between Independent Directors and CPA in 2020:

Date	Motion	Motion
March 2020	Explanation of the 2019 Consolidated and Parent Company Only Financial Reports	The 2019 Financial Reports have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on March 17, 2020 as scheduled.
May 2020	Explanation of the Consolidated Financial Statements for the first quarter of 2020	The Consolidated Financial Statements for the first quarter of 2020 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on May 6, 2020 as scheduled.
August 2020	Explanation of the Consolidated Financial Statements for the second quarter of 2020	The Consolidated Financial Statements for the second quarter of 2020 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on August 11, 2020 as scheduled.
November 2020	Explanation of the Consolidated Financial Statements for the third quarter of 2020	The Consolidated Financial Statements for the third quarter of 2020 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on November 10, 2020 as scheduled.

Communication between Independent Directors and Supervisor of Internal Audit in 2020

Date	Motion	Motion
2020.02.26	Audit report and draft for January 2020	Approved by all Directors
2020.03.13	Audit report and draft for February 2020	Approved by all Directors
2020.04.14	Audit report and draft for March 2020	Approved by all Directors
2020.05.07	Audit report and draft for April 2020	Approved by all Directors
2020.06.19	Audit report and draft for May 2020	Independent Directors suggested that the improvement plan and schedule shall be put forward for the audit defects. The audit unit has put forward the improvement plan and schedule according to the Independent Director's suggestion.
2020.07.02	Audit report and draft for June 2020	Approved by all Directors
2020.08.10	Audit report and draft for July 2020	Approved by all Directors
2020.09.21	Audit report and draft for August 2020	Approved by all Directors
2020.10.05	Audit report and draft for September 2020	Approved by all Directors
2020.11.13	Audit report and draft for October 2020	Approved by all Directors
2020.12.11	Audit report and draft for November 2020	Approved by all Directors
2021.01.06	Audit report and draft for December 2020	Approved by all Directors

(III) State of Corporate Governance Implementation and Differences From the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons:

Evaluation Item	State of Operations			Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies
	Yes	No	Abstract Illustration	
I. Does the Company formulate and disclose its Corporate Governance Practice Principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company's Corporate Governance Best Practice Principles was adopted by the Board of Directors on March 8, 2017. The Company actively discloses its corporate governance practices in accordance with relevant laws and regulations.	None
II. Shareholding structure & shareholders' equity (I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (III) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (IV) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(I) The Company has set up the shareholder services unit to handle shareholder affairs and shareholders' suggestions or disputes. (II) The Company regularly discloses the list of its major shareholders and persons who have ultimate control over the major shareholders, and reports the change in accordance with relevant regulations. (III) The business and financial relationship between the Company and its affiliated companies has been formulated in accordance with the relevant regulations required by the competent authority. (IV) The Company has established the Procedures for Handling Material Information and Prevention of Insider Trading and Code of Ethical Conduct, which have been implemented upon the adoption of the Board of Directors.	None
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its	✓		(I) The Company has elected Board of Directors with diversified professional background, professional skills and industry knowledge in accordance with the Procedure for the Election	None

Evaluation Item	State of Operations			Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies
	Yes	No	Abstract Illustration	
members? (II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal? (IV) Does the Company regularly evaluate the independence of CPAs?			of Directors. (II) The Company has established the Remuneration Committee and Audit Committee. The organizational procedures for the organization were passed by the Board of Directors. (III) The Board of Directors has not appointed an external professional institution to evaluate the Board or the functional committees. However, in terms of the Company's previous discussions and actual performance results, it shows the Board of Directors has been functioning well. The Company would consider the performance evaluation rules and procedures for the Board of Directors based on the situation, and implement relevant performance evaluation. (IV) The Company reviews the independence of the CPAs annually by the Audit Committee and the Board of Directors, and has been appointed by the Board of Directors. It has been confirmed that they are not the Directors of the Company, not the shareholders of the Company, nor are they paid by the Company, and are not the stakeholders that shall be granted independence.	
IV. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing Directors and Supervisors required information for business execution, assisting Directors and Supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and	✓		The Company has set up the dedicated corporate governance unit or has assigned personnel to handle relevant affairs.	None

Evaluation Item	State of Operations			Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies
	Yes	No	Abstract Illustration	
shareholders' meetings according to law)?				
V. Does the Company establish communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, customers and suppliers) on its website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	✓		The Company's website has set up the “Investor Relations” and “Stakeholder Section” to disclose information on financial operations and information on corporate governance and stakeholders' information for shareholders and stakeholders' reference. A spokesperson and deputy spokesperson is set up as a channel for communication with the stakeholders.	None
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed a professional shareholder services agency, Registrar Agency, Capital Securities Corp. to handle issues regarding shareholders' meeting and shareholder affairs.	None
VII. Information Disclosure (I) Does the Company set up a website to disclose information on the financial operations and corporate governance? (II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated personnel to be responsible for the collection and disclosure of information, implementing a spokesman system, and making the process of investor conferences available on the corporate website)? (III) Does the Company announce and declare its annual financial reports within two months after the end of the fiscal year, and announce and declare the financial reports for the first, second and third quarter and the operation situation of	✓		(I) The Company has disclosed its financial operations on its website (www.soinc.com.tw). The Company would also disclose relevant information on the corporate website after the corporate governance system is planned and established. (II) The Company has established a spokesman system. Investor conference information is disclosed on the Company website and the Market Observation Post System. (III) The Company follows relevant laws and regulations to announce and report its annual financial reports within two months after the end of the fiscal year, and announce and declare the financial reports for the first, second and third quarter and the operation situation of each month earlier	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>each month earlier than the prescribed period?</td><td></td><td></td><td>than the prescribed period. Please refer to the Market Observation Post System for the aforesaid information disclosed (https://mops.twse.com.tw/mops/web/indx).</td><td></td></tr>
<tr><td>VIII.Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors)?</td><td>✓</td><td></td><td>(I) Employee Rights and Employee Care: In accordance with Labor Standards Act, the Company has provided the rights and interests of the employees, and provides relevant benefits systems (such as group insurance, employee travel, health check, and various training) to establishes a relationship of mutual trust with employees.
(II) Investor relations: The Company has established a spokesperson and deputy spokesperson to be responsible for the communication of the Company's external relations, and has designated persons to disclose the Company's information at the Market Observation Post System as required by laws and regulations.
(III) Supplier relations: The Company has established long-term, mutual trust, and mutually beneficial relationship with suppliers in accordance with company policy.
(IV) Rights of stakeholders: The Company maintains good communication channels with employees, clients and suppliers, and respects and protects their legitimate rights and interests.
(V) Implementation of risk management policies and measurement standards: The Company has established various internal rules and regulations to conduct various types of risk management and assessment and implemented.</td><td>None</td></tr>
</table>

Evaluation Item	State of Operations			Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies
	Yes	No	Abstract Illustration	
			in accordance with the law. (VI) Directors' continuing education: To implement corporate governance, the Company actively informed the Directors and Independent Directors of information on corporate governance, and regularly arranges a series of refresher courses on finance, business and commerce for Directors and Independent Directors according to the Sample Template for the Directions for the Implementation of Continuing Education for Directors and Independent Directors of TWSE Listed and TPEx Listed Companies (VII) Implementation of customer policies: The Company maintains a stable and good relationship with customers to create corporate profits. (VIII) Liability insurance for Directors and Supervisors: The Company has bought liability insurance for all Directors and Independent Directors.	

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">State of Operations</td><td rowspan="2">Deviations and reasons from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies</td></tr>
<tr><td>Yes</td><td>No</td><td>Abstract Illustration</td></tr>
<tr><td colspan="5">IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved:
Priority of improvement and actions given to the items that did not meet the score in the initial evaluation of the 2020 annual corporate governance evaluation of the Company:
<table><tr><td>Evaluation Indicator</td><td>Improvement and Actions</td></tr><tr><td>Has the Company established the board diversity policy and disclosed the detailed management objective and implementation status of the policy in the Company's website and annual report?</td><td>The Company has disclosed its diversity policy on its website.</td></tr><tr><td>Does the Company disclose in detail in the annual report the discussions and resolutions of the Remuneration Committee and the Company's handling of the members' opinions?</td><td>The Company has disclosed the discussion and resolution results of the Remuneration Committee in its 2020 Annual Report.</td></tr><tr><td>Has the financial report been approved or submitted to the Board of Directors 7 days before the date of announcement and published within 1 day after the date of approval or submission?</td><td>The Company will publish the electronic financial report at least seven days in advance of the prescribed period starting from the first quarter financial report of 2021.</td></tr></table></td></tr>
</table>

Note 1: Implementation of Diversity Policy of Board Members by Individual Directors

Title	Name	Nationality	Gender	Diversity Item						
				Operational Judgments	Accounting and Financial Analysis.	Business Administration	Crisis Management	Industrial Knowledge	International Market Perspective	Decision Making
Chairman of the Board	James He	USA	Male	V	V	V	V	V	V	V
Director	Sophie Cheng	Taiwan	Female	V	V	V	V	V	V	V
Independent Director	Chang-Chou Li	Taiwan	Male	V	V	V	V	V	V	V
Independent Director	JJ Lin	Taiwan	Male	V	V	V	V	V	V	V
Independent Director	Jim Lai	Taiwan	Male	V	V	V	V	V	V	V

Note 2: Evaluation standards for the independence of CPAs.

Evaluation Item	Rating	Independence of the CPAs
The CPA is not a Director of the Company and its affiliates. Yes or No?	Yes	Yes
The CPA is not a shareholder of the Company and an affiliated business of the Company. Yes or No?	Yes	Yes
The CPA is not a salaried employee of the Company or an affiliated business of the Company. Yes or No?	Yes	Yes
Does the CPA confirm that his CPA firm has complied with in dependence?	Yes	Yes
The CPA firm's former partner within one year of disassociating from the CPA firm to which the CPA is affiliated join the Company as a Director, officer or is in a key position to exert material impact over the subject matter of the engagement. Yes or No?	Yes	Yes
The CPA did not provide any audit service to the Company for 7 consecutive years. Yes or No?	Yes	Yes
Does the CPA complies with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 on independence?	Yes	Yes

(IV) Where a Remuneration Committee is established, the Company shall disclose its composition, duties and operation status:

1. Profiles of the Members of the Remuneration Committee

Title	Qualifications / Name	Meet One of the Following Professional Qualification Requirements, together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Concurrent Remuneration Committee Position in Other Publicly Listed Companies	Remarks
		Lecturer or Above in Business, Legal, Finance, Accounting or Corporate Business Related to Public or Private Universities	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed A National Examination and Been Awarded A Certificate in A Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Convener	JJ Lin	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Members	Jim Lai	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Members	Chang-Chou Li	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1: For any members who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [√] sign in the field next to the corresponding conditions.✓

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

(2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (2) and (3).

(5) Neither a Director, Supervisor, or employee of a juristic person shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) If a majority of the Company's Director seats or voting shares and those of any other company are

controlled by the same person, neither a Director, Supervisor, or employee of that other company (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) If the Chairperson, President, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Neither a Director, Supervisor, Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (not apply to a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$ 500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) No any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. Operations of the Remuneration Committee

(1) There are 3 members on the Remuneration Committee of the Company.
(2) Current Term: From June 24, 2020 to June 15, 2023. The Remuneration Committee held two meetings (A) in the recent year, the qualifications and attendance of the committee members are shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	JJ Lin	2	0	100%	-
Members	Chang-Chou Li	2	0	100%	-
Members	Jim Lai	2	0	100%	-

Other mentionable items:

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

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

Date/Session of Remuneration Committee	Content of Motion and Follow-up Actions
2020.03.17 The 9th Meeting of the 4th Session	1. Discussion on the Distribution Plan of remuneration for Directors and Managers of 2019 2. Discussion on the amendment to the Company's Remuneration Committee Charter. 3. Discussion on the scope of the applicable managers of the Company's compensation preliminary review. 4. Discussion on the Company's of 2020 managers compensation adjustment of 2020.
	Resolution Results of the Remuneration Committee: Adopted by all members of the Remuneration Committee.
	The Company's actions in response to the opinions of the Remuneration Committee: All motions were passed without objection by the Directors present and upon the recommendation of the Remuneration Committee, unless the stakeholders recused themselves from discussion and voting.
2020.11.10 The 1st Meeting of the 5th Session	1. Adoption of the amendment to the Company's Measures on Board Performance Evaluation. 2. Adoption of the review of the Company's Method for Payment of Remuneration to Directors, Functional Committees and Managers. 3. Adoption of the travel expenses for each meeting of the 8th Director (excluding Independent Directors) of the Company. 4. Adoption of the remuneration of the 8th Independent Director of the Company. 5. Adoption of the Company's awarding principles of year-end bonus and the

	managers' compensation for the year 2020. 6. Adoption of the manager's salary and compensation items to be implemented in 2021.
	Resolution Results of the Remuneration Committee: Adopted by all members of the Remuneration Committee.
	The Company's actions in response to the opinions of the Remuneration Committee: All motions were passed without objection by the Directors present and upon the recommendation of the Remuneration Committee, unless the stakeholders recused themselves from discussion and voting.

Note:

(1) Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual number of meetings attended during the term of service.

(2) When an election is held for the Remuneration Committee before end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or reelected members, along with the elected date, in the “Remark(s)” column. The actual attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V) Implementation of Corporate Social Responsibility and Deviation from the Corporate Social Responsibility Best-Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof:

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
I. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company has established its Corporate Social Responsibility Best Practice Principles and follows accordingly.	No significant discrepancy
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		✓	At present, the Company has not set up a corporate social responsibility full-time (part-time) dedicated unit, but will set in the future based on demand.	Under evaluation

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
III. Environmental issues (I) Does the Company establish proper environmental management systems based on the characteristics of their industries? (II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? (IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management ?	✓		The Company is an IC design house. Although all products are manufactured by outsourcing, the Company still strictly require the outsourcing manufacturers to comply with the environmental management regulations of the government during the production process. We are committed to reducing the impact on the natural resources and reduce environmental pollution, and actively respond to climate change, taking action plan to reduce the consumption of natural resources, including the green supply chain management, raw material management, product packaging and waste reduction and recycling, reducing CO2 levels in office areas and improving energy efficiency.	No significant discrepancy

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
IV. Social issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (II) Does the Company establish and implement reasonable employee benefits measures (including remuneration, leave and other benefits, etc.) and reflect the corporate business performance or achievements appropriately in the employee remuneration? (III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (IV) Does the Company provide its employees with career development and training sessions? (V) Is the Company in compliance with relevant laws and regulations as well as	✓		(I) The Company has established relevant rules and regulations in accordance with the Labor Standards Act and relevant labor laws to protect the rights and interests of employees. (II) The Company has formulated an employee handbook stating relevant employee benefits. The employee remuneration is paid by resolution of the Board of Directors. (III) The Company has implemented labor safety and health education on its employees from time to time. In the event of a flu pandemic, wearing a mask and a disinfectant at the entrance to the door for employees to use when entering and leaving. (IV) The Company arranges on-the-job training based on employees' and job's needs from time to time. (V) The Company has established procedures for handling customer complaints and established customer-oriented	No significant discrepancy

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Abstract Illustration	
international standards when it comes to customer health and safety, customer privacy, marketing and labeling of products and services, and make relevant policies and appeal procedures on the protection of consumer rights and interests? (VI) Does the Company has established a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety and health, or labor and human rights? And the implementation status.			quality system, and assessed customer satisfaction with its products and services to achieve the goal of sustainable business operation. Our products and services are marketed and marked in accordance with regulations and international standards. (VI) The Company has established a supplier management policy to evaluate the related qualification of supplier before entering into the cooperation contract. The Company regularly evaluates suppliers and those who have significant impact on social responsibility and the environment will be included in the evaluation.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?		✓	The Company has not yet prepared a corporate social responsibility report, which will be prepared according to the Company's needs in the future.	prepared based on demand in the future.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="5">VI. Where the Company has formulated its own corporate social responsibilities principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please state the variances between its implementation and the principles formulated: The Company has established the Corporate Social Responsibility Best Practice Principles. The Company has performed its corporate social responsibility in accordance with the meaning and relevant provisions of the Principles, and there is no discrepancy.</td></tr>
<tr><td colspan="5">VII. Other important information that helps understand the operation situation in terms of the corporate social responsibilities: https://www.soinc.com.tw/csr</td></tr>
</table>

(VI) The State of the Company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Evaluation Item	State of Operations			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs (I) Does the Company establish its ethical management policy approved by the Board of Directors, clarifies it in its regulations and external documents and the commitment of board of Directors and senior management to active implementation? (II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the	✓		(I) The Company values and embraces the highest standards of conduct, honesty and integrity. Therefore, all managers and employees are required to comply with this code of conduct when they are involved in any activity. (II) The Company has established the Procedures for Ethical Management and Guidelines for Conduct and Employee Handbooks, which specifies the matters that the Company's personnel should pay attention to the implementation of their duties, and has established regulations governing employee rewards and punishments. When employees are committed to unethical conduct, they will be punished.	None

behaviors as stipulated in item 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? (III) Has the Company in the prevention programs for unethical conduct clearly prescribed the operation procedures, conduct guidelines and disciplinary and appeal system for violations of the ethical corporate management rules and implemented them, and conducted review and amendment on the aforementioned programs on a regular basis?			(III) The Company strictly prohibits managers and all employees from engaging in any bribery and illegal activities. If there is any violation, they will be punished or transferred to the judicial authorities according to the actual situation.	
II. II. Fulfill operations integrity policy (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (IV) Has the Company established an effective accounting system, internal control system to put	✓		(I) Before the transaction, the Company would conduct credit check operations on the counterparty in accordance with the relevant internal control procedures, trying to understand, by all means, whether they have had dishonest trading behavior. (II) The Company's has adopted the "Corporate Ethics for Ethical Management and Guidelines for Conduct" by the resolution of Board of Directors approved, and has set up a dedicated unit for corporate integrity management. (III) In order to establish a corporate culture and sound development of integrity management, the Company implements a policy to prevent corporate conflicts of interest, and provides appropriate accompanying channels for all colleagues to explain whether they have potential conflicts of interest with the Company. (IV) To implement ethical corporate management, the Company has established effective systems for both accounting and	None

ethical corporate management into practice. The internal auditors shall draw up the relevant audit plan to audit the compliance of the prevention programs for unethical conduct according to the risk valuation results of the unethical conduct, or audited by CPAs? (V) Does the Company regularly hold internal and external educational training on operational integrity?			internal control. Internal auditors also checked the compliance status according to the audit plan. (V) Through different channels, the Company has advocated its integrity management philosophy and norms to employees and clearly understands the Company's integrity management philosophy and standards.	
III. Operation of the whistleblowing channel (I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel? (II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the Company take measures to protect the whistleblower from improper disposal due to the report?	✓		(I) The Company's Board of Directors has approved the "Procedures for Ethical Management and Guidelines for Conduct" to clearly stipulate the reward and punishment, complaint and disciplinary actions. (II) The Company has established the standard operating procedures for investigating the case being exposed by the whistle-blower. (III) The Company has not taken protection measures to protect the whistleblowers from inappropriate disciplinary actions.	None
IV. Enhancing Information Disclosure Does the Company disclose the ethical corporate management policies and the results of its implementation on the Company website and MOPS?	✓		The Company has established a website to disclose information on the Company and has dedicated personnel to update information. At present, it regularly and irregularly reports various financial and business information on the Market Observation Post System.	None
V. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has adopted				

	the "Procedures for Ethical Management and Guidelines for Conduct" by the Board of Directors on March 8, 2017 , where there is no significant discrepancy.
VI.	Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (such as the Company's amendment to its ethical corporate management best practice principles): The Company shall always pay attention to the principles of domestic and international business operations, and to promote the Company's compliance with relevant regulations and promote all employees' compliance.

(VII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

The Company's website provides a "Corporate Governance" section for investors to inquire and download the relevant rules and regulations of corporate governance.

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance:

1. Continuing Education of Directors in 2020:

Title	Name	Date of Appointment	Continuing Education Date		Organizer	Course Name	Training Hours
			From	To			
Chairman of the Board	James He	06/16/2020	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
						Face the ESG era	3.0
Director	Sophie Cheng	06/16/2020	08/12/2020	08/12/2020	Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management	3.0
			09/08/2020	09/08/2020	Securities and Futures Institute	5G Key Technologies and Application Opportunities	3.0
						Liability and Risk Control of False Financial Statements - Case Study	3.0
Independent Director	Chang-Chou Li	06/16/2020	04/08/2020	04/08/2020	Taiwan Insurance Institute	Seminar on Corporate Governance for Directors and Supervisors (including Independent) and Chief Corporate Governance Officer	3.0
			07/31/2020	07/31/2020	Taiwan Corporate Governance Association	New Lessons of Corporate Governance by Board of Directors: Advanced Deployment and Practice of Information and Network Security	3.0
			10/07/2020	10/07/2020	Taiwan Corporate Governance Association	Corporate Governance Blueprint 3.0 and Directors' Responsibilities	3.0
			11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
Independent Director	JJ Lin	06/16/2020	07/29/2020	07/29/2020	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Training Course	3.0
			09/18/2020	09/18/2020	Securities and Futures Institute	2020 Annual Promotion Meeting for Preventing Insider Trading and Insider Equity Trading	3.0
Independent Director	Jim Lai	06/16/2020	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
						Face the ESG era	3.0

2. Continuing Education of Managers and Chief Corporate Governance Officer in 2020:

Title	Name	Continuing Education Date		Organizer	Course Name	Training Hours
		From	To			
President	James He	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Deputy President of Marketing Division and Market Development Division	Peter Zung	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Vice President, R&D Center	Denis Luo	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Chief Technology Officer	Ming Li	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Finance/Accounting Supervisor and Chief Corporate Governance Officer	Steffi Huang	04/17/2020	04/17/2020	Taiwan Corporate Governance Association	Case Introduction of Corporate Governance and Compliance	3.0
		11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Director, Marketing Division	Henry Chien	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Senior Director, Marketing Division	Bryce Li	11/05/2020	11/05/2020	Taiwan Investor Relations Institute	Responsibility of Directors and Supervisors and Corporate Governance	3.0
					Face the ESG era	3.0
Chief internal auditor	Joyce Lin	07/07/2020	07/07/2020	Taiwan Accounting Research and Development Foundation	Compliance Audit Practice of Shareholders Meeting and Merger and Acquisition Special Issues	6.0
		08/06/2020	08/06/2020		Analysis of the Competent Authority's Policy of "Assisting Companies in Enhancing the Ability to Prepare Financial Reports" and Internal Control Practices	6.0

(IX) Status of Internal Control System:

1. Declaration of Internal Control:

Silicon Optronics, Inc.
Statement of Internal Control System

Date: March 10, 2021

According to the self-evaluation results of internal control system by the Company in 2020, we hereby states as follows:

I. The Company acknowledges and understands that the establishment, enforcement, and preservation of the internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets); the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.

II. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. Since the Company's internal control system is provided with a self-monitoring mechanism, the Company will take corrective actions in response to any identified deficiencies.

III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the Guidelines for the Establishment of Internal Control Systems by Public Companies (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Please refer to the Guidelines for the preceding items.

IV. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.

V. Based on the findings of such evaluation, Sitronix believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws.

VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If any of the above disclosed contents contains false information or omits any material content, the Company will involve legal liability under Article 20, Article 32, Article 171 and Article 174 set forth in the Security and Exchange Act.

VII. The Company hereby declares that this statement had been adopted by the Board of Directors on March 10, 2021. Among the 5 attending Directors, no one raised any objection and all consented to the content expressed in this Statement.

Silicon Optronics, Inc.

Chairman and President: James He

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

(X) Any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the main shortcomings, and condition of improvement: None.

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

1. Major Resolutions of the 2020 Regular Shareholders' Meeting:

Date	Major Resolutions	Implementation Status
2020.06.16	1. Approval of the Company's 2019 Earning Distribution Plan.	The Company set July 16, 2020 as the distribution base date and August 21, 2020 as the distribution date, with a cash dividend of NT$2 per share
	2. Approval of the Company's 2019 Business Reports and Financial Statements.	It has been approved by the Regular Shareholders' Meeting and announced
	3. Approval of part of the articles of the Company's Articles of Incorporation.	Executed in accordance with the resolution of the shareholders' meeting.
	4. Election of 5 Directors of the 8th Session of the Company's Directors (including 3 Independent Directors).	Executed in accordance with the resolution of the shareholders' meeting.
	5. Adoption of the amendment to the Company's Operational Procedures for Loaning Funds to Others.	Executed in accordance with the resolution of the shareholders' meeting.
	6. Adoption of the amendment to the Company's Operational Procedures for Endorsements/Guarantees.	Executed in accordance with the resolution of the shareholders' meeting.
	7. Adoption of the Company's Rules of Procedure for Shareholders' Meetings.	Executed in accordance with the resolution of the shareholders' meeting.
	8. Adoption of the amendment to the Company's Procedure for the Election of Directors.	Executed in accordance with the resolution of the shareholders' meeting.
	9. Adoption of the release of the Company's new Directors from non-competition.	Executed in accordance with the resolution of the shareholders' meeting.

2. Major Resolutions of the Board Meetings:

Date	Major Resolutions
2020.03.17	1. Discussion on the Distribution Plan of the Remuneration to Employees and Directors for the Year 2019. 2. Discussion on the 2019 Business Reports and Financial Statements. 3. Discussion on the 2019 Earning Distribution Plan. 4. Discussion on the Statement on Internal Control Systems for the Year 2019. 5. Discussion on the general reelection of Directors and Independent Directors. 6. Discussion on the relevant affairs of the 2020 general shareholders' meeting.
2020.06.16	1. Discussion on the Company's new President.
2020.06.24	1. Discussion on the ex-dividend base date, payment date and related matters of

Date	Major Resolutions
	the Company's 2019 Earning Distribution Plan.
2020.11.10	1. Proposal on the formulation the 2021 Annual Audit Plan.
2021.03.10	1. Discussion on the Distribution Plan of the Remuneration to Employees and Directors for the Year 2020. 2. Discussion on the 2020 Business Reports and Financial Statements. 3. Discussion on the 2020 Earning Distribution Plan. 4. Discussion on the Statement on Internal Control Systems for the Year 2020. 5. Discussion on the relevant affairs of the 2021 general shareholders' meeting.

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, President, Heads of Accounting, Finance, Internal Audit and R&D: None.

V. Information on CPA Professional Fees

Accounting Firm	Name of CPAs		Period Covered by CPA's Audit	Remarks
Deloitte & Touche.	Ming-Yuan Chung	Cheng-Chih Lin	2020	-

Fee range \ Fee items		Audit Fees	Non-Audit Fees	Total
1	Under NT$2,000,000	-	✓	-
2	NT$2,000,000 (inclusive)~NT$4,000,000	✓	-	✓
3	NT$4,000,000 (inclusive)~NT$6,000,000	-	-	-
4	NT$6,000,000 (inclusive)~NT$8,000,000	-	-	-
5	NT$8,000,000 (inclusive)~ NT$10,000,000	-	-	-
6	Over NT$10,000,000	-	-	-

(I) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto:

Accounting Firm	Name of CPAs	Audit Fees	Non-Audit Fees					Audit Period	Remarks
			System Design	Company Registration	Human Resources	Others	Sub-total		
Deloitte & Touche	Ming-Yuan Chung Cheng-Chih Lin	2,450	0	0	0	200	2,650	2020	Other main tax declaration certification

(II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.

VI. Information on Replacement of CPAs

I. Former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="3">March 10, 2021</td></tr>
<tr><td>Replacement Reasons and Explanations</td><td colspan="3">The former CPAs were Ming-Yuan Chung and Cheng-Chih Lin of Deloitte & Touche. Due to internal adjustment in Deloitte & Touche , since the first quarter of 2021, the CPAs have been replaced as Ming-Yuan Chung and Tung-Hui Yeh</td></tr>
<tr><td rowspan="3">Specify whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement</td><td>Principal
Condition</td><td>CPA</td><td>Client</td></tr>
<tr><td>Voluntarily ended the engagement</td><td>-</td><td>-</td></tr>
<tr><td>Termination by the CPAs</td><td>-</td><td>-</td></tr>
<tr><td>Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons</td><td colspan="3">None</td></tr>
<tr><td rowspan="3">Deviation form the Issuer</td><td rowspan="3">Yes</td><td>-</td><td>Accounting principles or practices</td></tr>
<tr><td>-</td><td>Disclosure of financial statements</td></tr>
<tr><td>-</td><td>Audit scope or steps</td></tr>
</table>

		-	Others
	None	V	
	Reason for Discrepancy：Not applicable.		
Other Revealed Matters (items to be disclosed as prescribed by Article 10, Paragraph 6, Subparagraphs 1-4 to 1-7 in the Standards)	None		

II. Successor CPAs

Name of CPA Firm	Deloitte & Touche
Name of CPAs	Ming-Yuan Chung, Tung-Hui Yeh
Date of Appointment	March 10, 2021
Subjects and outcomes of consultation on Subjects discussed during consultations with the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial report and the consultation results	None
Written views from the successor CPA regarding the matters on which the Company did not agree with the former CPA	None

III. The former CPA's respond to matters as described in subparagraph 1 and item 3 of subparagraph 2, paragraph 6 of Article 10 of these Regulations: Not applicable.

VII. The State of the Company's Chairperson, President, or any Manager in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm: None.

VIII. The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During The Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

(I) Change of Equity

Unit: Share

Title	Name	2020		Current Fiscal Year (2021) up to April 18, 2021	
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged
Chairman of the Board	Heritage Bay Limited	-	-	-	-
	Representative: James He	-	-	-	-
Director	Heritage Bay Limited	-	-	-	-
	Representative: Sophie Cheng	-	-	-	-
Independent Director	JJ Lin	-	-	-	-
Independent Director	Jim Lai	-	-	-	-
Independent Director	Chang-Chou Li	-	-	-	-
Vice President, R&D Center	Denis Luo	-	-	-	-
Vice President, Market Development Division	Peter Zung	-	-	-	-
VP of R&D and Chief Technology Officer	Ming Li	(31,000)	-	(6,000)	-
Finance/Accounting Supervisor	Steffi Huang	(134,000)	-	(96,000)	-

Title	Name	2020		Current Fiscal Year (2021) up to April 18, 2021	
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged
Department Head	Henry Chien	-	-	-	-
Senior Director	Bryce Li	-	-	-	-

(II) Stock Trade with Related Party: None.

(III) Stock Pledge with Related Party: None.

IX. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative Within the Second Degree of Kinship of Another

April 18, 2021; Unit: share; %

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding under the Title of Third Party		TOP 10 SHAREHOLDERS WHO ARE RELATED PARTIES TO EACH OTHER		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Heritage Bay Limited	18,676,413	23.91%	-	-	-	-	-	-	-
Representative: James He	150,000	0.19%	-	-	-	-	-	-	-
Heritage Bay Limited	18,676,413	23.91%	-	-	-	-	-	-	-
Representative: Sohpie Cheng	-	-	-	-	-	-	-	-	-
Full Guest Investments Limited	4,875,458	6.24%	-	-	-	-	-	-	-
Representative: Charles Lu	91,059	0.12%	-	-	-	-	-	-	-
Denis Luo	4,583,587	5.87%	-	-	-	-	-	-	-
Triumph Partners Limited	3,036,000	3.89%	-	-	-	-	-	-	-
Representative: Lin Hung	-	-	-	-	-	-	-	-	-
The investment account of Full Guest Investments Limited under the custody of Taishin International Commercial Bank as trustee	1,744,000	2.23%	-	-	-	-	-	-	-
Deutron Electronics Corp	1,693,000	2.17%	-	-	-	-	-	-	-
Representative:Lo Ying Hua	-	-	-	-	-	-	-	-	-
Peter Zung	1,311,000	1.68%	-	-	-	-	-	-	-
Treasury shares account of Silicon Optronics, Inc.	1,000,000	1.28%	-	-	-	-	-	-	-
Investment account of Merrill Lynch under the custody of HSBC	593,000	0.76%	-	-	-	-	-	-	-
Ming Li	505,000	0.65%	-	-	-	-	-	-	-

X. The Number of Shares Held by the Company, by the Directors, Supervisors and Managers of the Company, and by any Entities either Directly or Indirectly Controlled by the Company in the Same Investee Enterprise, and the Calculation of the Consolidated Shareholding Ratio of the above Categories: None.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of capital

April 18, 2021; Unit: share; %; NT$

Year/Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Shares	Shares	Shares	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2019.05	10	100,000,000	1,000,000,000	77,977,900	779,779,000	Employee subscription warrants conversion	-	Note 1
2019.08	10	100,000,000	1,000,000,000	78,025,900	780,259,000	Employee subscription warrants conversion	-	Note 2
2019.11	10	100,000,000	1,000,000,000	78,055,900	780,559,000	Employee subscription warrants conversion	-	Note 3
2020.03	10	100,000,000	1,000,000,000	78,080,900	780,809,000	Employee subscription warrants conversion	-	Note 4
2020.05	10	100,000,000	1,000,000,000	78,105,900	781,059,000	Employee subscription warrants conversion	-	Note 5
2021.05	10	100,000,000	1,000,000,000	78,110,900	781,109,000	Employee subscription warrants conversion	-	Note 6

Note 1: Approved by the Zhu Shang Zi Letter No. 1080013714 issued on May 16, 2019.
Note 2: Approved by the Zhu Shang Zi Letter No. 1080024631 issued on August 23, 2019.
Note 3: Approved by the Zhu Shang Zi Letter No. 1080033919 issued on November 22,2019.
Note 4: Approved by the Zhu Shang Zi Letter No. 1090008351 issued on March 26, 2020.
Note 5: Approved by the Zhu Shang Zi Letter No. 1090013430 issued on May 14, 2020.
Note 6: The conversion of 50,000 common stocks by employee warrants is expected to be registered on May 2021.

2. Type of Stock

April 18, 2021; Unit: share

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common stock	78,110,900 (Including 1,000,000 treasury shares)	21,889,100	100,000,000	Note 1

Note 1: 6,000,000 shares of the authorized capital was reserved for the issuance of employee stock option certificates.

3. Relevant information on the shelf registration: Not applicable.

(II) Shareholder Structure

April 18, 2021; Unit: share; person

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & individuals	Total
Number of Shareholders	-	1	35	10,899	45	10,980
Shareholding (shares)	-	2,000	4,021,001	37,658,339	36,429,560	78,110,900
Percentage	0.00%	0.00%	5.15%	48.21%	46.64%	100.00%

(III) Distribution of Equity Ownership

April 18, 2021/ face value of NT$10 per share

Shareholding Range	Number of Shareholders	Shareholding (shares)	Percentage
1 - 999	857	120,329	0.15%
1,000 - 5,000	8,961	15,043,246	19.26%
5,001 - 10,000	634	5,169,482	6.62%
10,001 - 15,000	163	2,143,783	2.74%
15,001 - 20,000	105	1,968,022	2.52%
20,001 - 30,000	91	2,362,860	3.03%
30,001 - 40,000	41	1,471,368	1.88%
40,001 50,000	34	1,570,285	2.01%
50,001 - 100,000	43	2,972,701	3.81%
100,001 - 200,000	31	4,391,187	5.62%
200,001 - 400,000	8	2,074,000	2.66%
400,001 - 600,000	4	1,904,179	2.44%
600,001 - 800,000	-	-	0.00%
800,001 - 1,000,000	1	1,000,000	1.28%
1,000,001 or more	7	35,919,458	45.99%
Total	10,980	78,110,900	100.00%

(IV) Major Shareholders

April 18, 2021; Unit: share

Shareholding / Shareholders	Shareholding (shares)	Percentage
Heritage Bay Limited	18,676,413	23.91%
Full Guest Investments Limited	4,875,458	6.24%
Denis Luo	4,583,587	5.87%
Triumph Partners Limited	3,036,000	3.89%
The investment account of Full Guest Investments Limited under the custody of Taishin International Commercial Bank as trustee	1,744,000	2.23%
Deutron Electronics Corp	1,693,000	2.17%
Peter Zung	1,311,000	1.68%
Treasury shares account of Silicon Optronics, Inc.	1,000,000	1.28%
Investment account of Merrill Lynch under the custody of HSBC	593,000	0.76%
Ming Li	505,000	0.65%

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

Unit: NT$

Item			2019	2020	The Current Fiscal Year up to March 31, 2021 (Note 5)
Market Price Per Share	Highest		117.50	147.50	139.00
	Lowest		69.20	59.70	104.50
	Average		87.76	93.66	123.50
Net Worth per Share	Before Distribution		26.64	28.24	-
	After Distribution (Note 1)		24.67	(Note 6)	-
Earnings Per Share (EPS)	Weighted Average Shares		78,080,900	78,105,900	-
	Earnings Per Share (EPS)		2.01	3.65	-
Dividends per share	Cash Dividends		2.00	2.80 (Note 6)	-
	Stock dividends	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends		-	-	-
Analysis of POI	Price-to-Dividends Ratio (Note 2)		43.66	25.66	-
	Price-to-Earnings Ratio (Note 3)		43.88	33.45 (Note 6)	-
	Yield on Cash Dividends (Note 4)		2.28%	2.99% (Note 6)	-

Note 1: It is adjusted based on the resolution of shareholders' meeting held in the following year.
Note 2: Price/earnings ratio = Average closing price per share for the current fiscal year/earnings per share.
Note 3: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.
Note 4: Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal year.
Note 5: For net worth per share and earnings per share for the current fiscal year as of the publication date of this annual report, data from the first quarter of 2021 that has been reviewed by CPAs should be filled.
Note 6: Subject to the resolution of the shareholders' meeting.

(VI) Dividend policy of the Company and its implementation status

1. Dividend policy

   Dividend and dividend distribution policy, the distribution of earnings can be obtained by means of stock dividends or cash dividends. Considering the Company is at its operating growth stage and taking into account the interests of the Company's shareholders and long-term and short-term capital and business planning, when the distribution of earnings is available, the cash dividend shall not be less than 10% of the total dividends.

2. Implementation status:

   The Company's Board of Directors resolved to issue a shareholder dividend of NT$2.8 per share on March 10, 2021, which will be handled in accordance with the relevant provisions after the resolution of the regular shareholders' meeting on June 16, 2021. The proposal will be implemented in accordance with the relevant regulations.

(VII) Effects upon the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting: Not applicable.

(VIII) Remuneration to employees and Supervisors

1. The percentages or ranges of employee and Director compensation is as set forth in the Company's Articles of Incorporation.

   According to the Company's Articles of Incorporation, , if there is any profit for a specific fiscal year, the Company shall allocate no less than 0.005% and no more than 25% of the profit as employees' compensation and shall allocate at a maximum of 3% of the profit as remuneration to directors.

2. The basis for estimating the remuneration for employee and Director, for calculating the number of shares to be distributed as stock dividends, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The 2020 cash remuneration distributable to employees passed by the Company on March 10, 2021 was accrued at a certain proportion according to the profitability of the current year. If the actual distributed amount is different from the estimated number, it will be treated as changes in accounting estimates and accounted in the distribution year.
3. Information on the proposed remuneration to employee and Director approved by the Board of Directors:
   (1) If the employee's remuneration and Director's remuneration distributed in cash or stock differs from the annual estimated amount of the recognized expenses, the difference, cause and treatment shall be disclosed:
   On March 10, 2021, the Company's Board of Directors resolved to distribute NT$28,570 thousand for employee remuneration and NT$3,750 thousand for Directors' remuneration of 2020, which are the same as the 2020 estimated amount without any difference.
   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: This year, the Company does not plan to distribute employee compensation by shares, so it is not applicable.
4. The actual distribution remuneration of employees and Directors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees and Directors, the discrepancy, cause, and how it is treated shall be stated:

	Resolutions of the Board Meeting on March 17, 2020	Actual distributed amount
	Amount (NT$)	Amount (NT$)
Directors' Remuneration	2,500,000	2,500,000
Employee Remuneration	16,030,000	16,030,000
Total	18,530,000	18,530,000

(IX) The State of the Company's Repurchases of its Own Shares.:
The State of the Company's Repurchases of its Own Shares (executed)

March 31, 2021

Number of Repurchase	First Repurchase
The Resolution Date of the Board of Directors	August 12, 2019
Purpose of Repurchase	Shares Transferred to Employees
Repurchase Period	August 14, 2019 to October 09, 2019
Price Range of Shares to be Repurchased	NT$53 to NT$115
Estimated type and number of shares repurchased	1,000,000 common shares
Actual type and number of shares repurchased	1,000,000 common shares
Actual repurchase amount	NT$ 96,925,600
Average repurchase price per share	NT$96.93
Number of Retired Shares and Shares Transferred to Employees	None
Proportion of Cumulative Number of Shares Held to Total Number of Shares Issued (%)	1.28%

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts: None

V. Employee Share Subscription Warrants

(I) The Status of Employee Stock Options

March 31, 2021

Type of Employee Stock Options		1st subscription in 2012 Employee Stock Options	2nd subscription in 2012 Employee Stock Options	1st subscription in 2013 Employee Stock Options	2nd subscription in 2013 Employee Stock Options
Date of Effective Registration		May 16, 2012	May 16, 2012	July 29, 2013	July 29, 2013
Issuance Date		June 20, 2012	November 30, 2012	August 15, 2013	June 10, 2014
Number of Options Granted		1,700 units	1,500 units	450 units	900 units
Ratio of the number of shares available to subscribe to the total number of shares issued (Note 2)		2.18%	1.92%	0.58%	1.15%
Option Duration		10 years			
Type of shares underlying the options		Issue of new shares			
Vesting Schedule		For a period of two years: 50%; for a period of three years: 75%; for a period of four years: 100%			
Shares exercised		1,299,000 shares	988,000 shares	340,000 shares	900,000 shares
Value of Shares Exercised		NT$13,639,500	NT$19,266,000	NT$11,220,000	NT$41,400,000
Shares Unsubscribed		128,000 shares	477,000 shares	95,000 shares	0 shares
Exercise Price Per Share	Original Price	NT$10.50	NT$19.50	NT$33.00	NT$46.00
	After adjustment	NT$ 10.25	NT$ 19.03	NT$ 32.21	NT$ 44.90
Percentage of Shares Unexercisable to Outstanding Common Shares (%) (Note 2)		0.16	0.61	0.12	0
Impact to Shareholders' Equity		The Company attracts and retains the professional talents required by the Company, and enhances the Company's coherence and sense of belonging among employees, jointly creating the interests of the Company and shareholders, and has a positive impact on shareholders' equity.			

Note: 1. Adopted with approval at the same time when the Company went public.
Note 2: Calculated based on the number of 78,110,900 shares outstanding.

(II) The manager who obtained the employee stock option and the name, of the top ten employees who have obtained the stock option and amount of NT$30 million or more.

1. List of Managers and Top 10 Employees Participating in Employee Stock Option Plan:

March 31, 2021; Unit: share; NT$

	Title	Name	Number of Options Shares	% of shares exercisable to outstanding Common Shares	Options Exercised				Options Unexercised			
					Number of shares subscribed	Subscription price	Total value of shares subscribed	% of shares subscribed to outstanding common shares	Number of shares subscribed	Subscription price	Total value of shares subscribed	% of shares subscribed to outstanding common shares
Managers	Chairman and President	James He	0	0%	0	0	0	0%	3,000	19.5	58,500	0.004%
	Chief Technology Officer	Ming Li										
	Vice President	Denis Luo										
	Vice President	Peter Zung										
	Finance/Accounting Supervisor	Steffi Huang										
	Department Head	Henry Chien										
	Senior Director	Bryce Li										

2. The manager who obtained the employee stock option and the name, of the top ten employees who have obtained the stock option and amount of NT$30 million or more: None.

(III) Restricted employee shares: None.

VI. Status of Issuance of New Share in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. The State of Implementation of the Company's Capital Allocation Plans: Not applicable.

Chapter 5 Operations Highlights

I. Business Activities

(I) Business Scope

1. The Company's Major lines of Business

A. CC01080 Electronic Components Manufacturing Industry

B. F401010 International Trade

C. I501010 Product Designing

2. Proportion of each business

Unit: NT$ thousand

Product \ Year	2019		2020	
	Shares	%	Shares	%
CMOS Image Sensor	2,226,729	97.06	3,237,207	97.25
Others	67,381	2.94	91,488	2.75
Total	2,294,110	100.00	3,328,695	100.00

3. Products (services) currently offered by the Company

The Company is a professional IC design company that develops and sells IC products based on CMOS Image Sensors (complementary metal oxide semiconductor image sensor), which are mainly used in target applications on Survilliance camera, Automotive camera, consumer image products and biological sensing chips. The Company is also actively developing a variety of CIS industrial applications, such as near infrared sensing applications and industrial detection and other related market applications.

4. New product development plan

The core competence of the Company is the research and development of the sensing circuit, analog, digital and mixed signal circuit design capability in the CMOS image sensors. Another key success factor is to provide customers with the best solution based on the own technical customization capabilities, from circuit design, wafer process technology, to optical simulation, developing and providing specific application CMOS image sensors. The Company has complete technical capabilities and works with leading wafer foundry partners to meet the needs of customers. Future technology roadmap includes:

1. High-performance CMOS image sensor.
2. High resolution CMOS image sensor.
3. Global shutter CMOS image sensor.
4. Low power CMOS image sensor.
5. Design and development of sensors for special applications.

(II) Industry Overview

1. Industry Status and Trends

A. Overview of the semiconductor market

Semiconductor products mainly include four types: integrated circuits (IC), discrete components (Discrete), sensing components (Sensors) and optoelectronic components (Optoelectronics). The global semiconductor market was affected by the COVID-19 in 2020. Many markets related to semiconductor applications were squeezed by strong demands from each other, including the increased demand for computers and their peripheral products, the deployment and construction of 5G mobile phones, and the increased demand for automotive electronics. As a result, the semiconductor industry is in a state of tight supply capacity from the most upstream foundry to the downstream packaging and testing. It is expected that the overall semiconductor market will still be in a tight supply condition until 2021.

B. Overview of the IC design industry

The number of IC design companies in Taiwan is stably growing due to the local comprehensive semiconductor ecosystem and the rich experience in the IC design industry. Taiwan is currently the top 3 region in the world, in terms of the number of IC design companies, second only to the United States and China. There are two main reasons why Taiwan's IC design industry is booming. Firstly, the semiconductor industry is complete and the industry scale is large. IC design companies can leverage Taiwan local semiconductor food chain such as wafer manufacturing, packaging, and testing. Besides, because it is closer to the local IT downstream industry chain, the IC design industry is naturally booming, and the IC design companies have more competitive advantages than foreign IC design companies. As a result, Taiwan's IC design output value has been ranked second in the world in recent years, second only to the United States.

C. Overview of CMOS Image Sensor Market

CMOS (Complementary Metal-Oxide-Semiconductor) is a basic component of the integrated circuits, which is by NMOS (n-type MOSFET) and PMOS (p-type MOSFET) on the silicon wafer. NMOS and PMOS have complementary physical properties, so they are called CMOS. which can be used to produce static random access memory (SRAM), MCU, microprocessors, digital electronic systems. and optical instruments.

CMOS has the advantage of consuming energy only when the transistor needs to be switched on and off, so it is very power-saving and generates less heat. CMOS is the most common semiconductor process. According to TSR Analytics, global CIS output will continue to grow at a compound annual rate of more than 10% from 2017 to 2024.

D. Overview of the biochip market

Biochip refers to different chemical materials such as glass, plastic, silicon conductor, etc. that use the modern electrical, mechanical and optical techniques to allow the biomolecules to be immobilized on the surface. and the biological experiments that previously needed to be performed in an entire laboratory can be performed on a single wafer now. The experimental method can greatly reduce the use of samples and experimental consumables, and the accuracy of the experimental results is very good, so it can quickly generate a large amount of reliable data. Currently, the test methods have become mainstream for biomedical research.

The development of biochips began in the late 1980s, when scientists from many universities, research institutes, and companies in Europe and the United States devoted themselves to the development of related technologies. Biochips, as the name implies, have many similarities with computer chips, as they are miniaturized chips that can be synchronized and paralleled to perform a large number of analytical studies in a very short time, and many biochips are manufactured by the technologies used by computer chips.

For example, in the past, only one gene or a few genes could be detected at a time when scientists studied gene expression. If multiple genes or proteins need to be studied, the experimental procedure is time-consuming and requires a lot of human resources. With the invention of biochips, scientists can simultaneously detect tens of thousands of genes or proteins, so biochips have become a tool for genomics and proteomics research.

Biochips are currently very popular areas of research and development, and there are mainly three types of products: (1) DNA Microarrays, (2) Lab on a Chip, (LOAC), and (3) Protein Microarrays. In recent years, by the technology improvement and the cost reduction, the micro reaction space can be designed on the biochips to purify cells and other biochemical molecular, so the biochips have great potential.

With the growing demand for DNA sequencing, the high cost and time-consuming problems generated by the use of Sanger Method decoding limited research and development of DNA sequencing, so new sequencing techniques are being researched and developed. With the improvement of molecular biotechnology, a more efficient sequencing method has been developed, namely Next Generation Sequencing (NGS). In the Sanger sequencing method, the DNA in the target is amplified, and long fragments (about one thousand nucleobase pairs) are read. But the Next Generation DNA Sequencing (NGS) is to completely fragment the DNA (about 300-800 nucleobase pairs) and do the sequencing, and NGS becomes the major technology in DNA sequencing.

At present, Illumina and Thermo Fisher own the major market share in the global Next Generation DNA Sequencing market and followed by other manufacturers such as Roche and PacBio. Among them, Illumina had 71% of the overall market in 2014 as Illumina's sequencing technology was the most mature in the industry. The Ion Torrent technology platform's products, launched by Thermo Fisher after it acquired Life Technologies, had a 20% market share, followed by Roche's 5%, PacBio's 3%, and other suppliers account for 1%.

The new generation DNA sequencing drastically reduces DNA sequencing cost. The HiSeq X Ten sequencing device introduced by Illumina in early 2014, can resequence individual genome sequences at a cost of US$1,000 within a day. The next generation of equipment is expected to reduce the cost to around US$900. Research institutes, pharmaceutical companies, and testing service companies have been investing in related equipment purchases, allowing the next-generation DNA sequencing market to grow rapidly.

Another market driver is the FDA's regulations for new drug development to be accompanied by the development of companion diagnostic reagents. Through the sequencing of DNA maps, it attempts to identify more relevant genes and improve the efficiency of new drug development and effective drug usage. Due to the development of next-generation DNA sequencing, nonintrusive prenatal fetal genomic detection has also developed rapidly. In the past, amniocentesis was required to obtain a prenatal examination of suspension cells. But by capturing fetal free cells or free DNA in the blood of pregnant women, the whole genome of the fetus can be obtained by DNA sequencing and analysis. The result can be obtained around the 10th week of pregnancy instead of previous 16th week, significantly reducing the risks that may occur. Additionally, another expected popular application is the cancer detection. Due to the complexity of cancer detection targets, multiple genetic locations need to be analyzed, and new genetic variants will appear between treatments. The next generation of DNA sequencing combined with liquid slicing technique can meet such continuous and extensive diagnostic and monitoring needs; however, because cancer diagnosis and treatment require long-term clinical verification, it is still mainly used in the patients failed with the first-line and second-line cancer drugs. However, the improved therapeutic benefits of this testing service still make the prospect of applying DNA sequencing services to cancer detection promising. This shows that, in the future, with a large number of applications of next generation DNA sequencing, there will be many changes in the clinic.

2. Correlations between upstream, midstream and downstream Industries

The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain in Taiwan are as follows:

Structure	Steps	Contents
Upstream	IC design	Sensitive element design, analog circuit design, digital circuit design
Midstream	Mask and wafer manufacturing	Mask production: metal splashing, photoresist coating, electron beam writing, chemical development, etching technology, photoresist removal Wafer manufacturing: oxidation, lithography, etching, ion implantation, vapor deposition, metal sputtering, wafer inspection
Downstream	Packaging and testing	Cutting, grinding, drilling, wiring, configuration, sealing, testing

3. Product Development Trends

The Area CMOS Image Sensor market is highly competitive. In addition to the good image quality, the price and customer service are key success factors. The main product development plans are recently, in the surveillance security systems, digital IP cameras and ccHDtv are moving toward higher resolutions. The mainstream products are moving from 720P (HD) towards 1080P (FHD) and 4 million / 5 million pixels, driving the trend of HD surveillance in the future. Besides, in the automotive electronics, the driving monitoring recorder, the whole vehicle landscape and driving safety assistance are also moving towards 720P/1080P and higher resolution, and have gradually become the standard safety equipment in various types of automotive products, in order to provide a safer driving environment for drivers.

The Company will also develop higher technology products such as higher wide dynamic range and noise resistance, high temperature range and BSI and near infrared sensing and other advanced processes used in related imaging products, in order to provide customers with more cost-effective products.

4. Competitions:

Area CMOS Image Sensor in recent years, with the stagnation of specifications in the mobile phone market, various manufacturers have tried to have differentiation for camera functions. 3D sensing, the dual lens, and even multi-lens design are new areas. Also this is expected to drive the demands and the higher specification requirement for sensors.

In the surveillance applications, as the requirement of IP cameras and HDCCTV are getting higher, the demand for Full HD and higher resolution sensors has been increasing rapidly. In addition to the introduction of more cost-effective products in 2020, including 960P, 1080P, 4Mega and 5Mega Pixel and other full HD products, SOI has also launched 4K BSI high-resolution high-quality products in 2020 to meet the market demand, expecting to further cooperate with customers with higher added value products.

(III) Technology and R&D Overview

1. R&D expenditures during the most recent fiscal year

Unit: NT$ thousand

Year / Item	2019	2020	First Quarter of 2021
R&D Expenses	240,095	284,672	81,893
Operating revenues	2,294,110	3,328,695	923,359
%	10.47	8.55	8.87

2. Developed and on-going technologies or products

(1) BSI products.

(2) Near-infrared sensing enhancement technology.

(3) Vehicle specification AEC-Q100 certification.

(4) High dynamic range products used in automotive and security monitoring and identification markets.

(5) Global Shutter products.

(6) A new generation of FSI high-performance/cost optimized products.

(7) Design and process development of sensors for special applications.

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

1. Short-term marketing development plans

(1) Expand the channels in the existing markets and actively develop various potential markets.

(2) Actively develop domestic and overseas major customers to increase market share.

(3) Enhance the services of existing customers to maintain long-term relationships.

2. Long-term marketing development plans

(1) Strengthen the analysis of market change (consumer and product trends) to provide the customer-oriented products to strengthen the customer relationship

(2) Enhance international marketing capabilities and strive to cooperate with world-class companies.

(3) Actively develop new markets and applications.

II. Market and Sales Overview

(I) Market Analysis

1. Sales by regions for major products and services

Unit: NT$ thousands; %

Year / Region	2019		2020	
	Amount	%	Amount	%
External sales	2,208,644	96.27	3,241,588	97.38
Domestic Sales	85,466	3.73	87,107	2.62
Total	2,294,110	100.00	3,328,695	100.00

2. Market share

Benefit from the steady growth of the consumer webcams and surveillance market, and the fact that the Company's operation has stepped into the right track, with the introduction of more new products in 2021, we believe that we will be able to provide more comprehensive services for our customers' overall product planning and design, which will significantly increase our market share in the future.

3. Market supply and demand, and market growth in the future

According to IC Insight market research data, after a turbulent year in 2020, the total value of the image sensor market in 2021 will return to a normal growth state, with an expected 15% growth compared to 2020. At present, although facing the relatively tight period of overall semiconductor supply chain capacity, the Company will provide customers with better product choices under the development of many new processes and new technologies. In the near future, the Company will continue to grow in the overall image sensor market, driven by the continued demand for consumer network monitoring, car camera modules and computer peripheral cameras.

4. Competitive Niches

(1) Excellent management and technical teams

The Company focuses on the design and development of CMOS Image Sensor and that R&D capacity and technical level have reached the same level as other world-wide leading CMOS manufacturers. The Company plans to provide the high quality and high performance products of Area CMOS Image Sensor for high-end surveillance and specific application sensors market.

(2) Stable partners

All the Taiwan CMOS Image Sensor companies are fabless IC design companies. wafer plants, and hence, the wafer process technology and the yield of packaging and testing are the key factors that affect the IC mass production schedule. The Company works closely with Powerchip and TSMC in the CMOS Image Sensor area to provide the best technical and mass production support. The Company maintains good relationships with the IC testing and packaging companies and thus has more protection in product yield and delivery.

(3) Mutual benefits from long-term customers

The Company's sales model relies on cooperation with semiconductor distributors and direct sales to downstream system integrator customers. In addition to expanding marketing channels in existing markets and actively seeking more business in potential markets,

the Company provides technical service team to help customers quickly introduce design and stable production to establish stable cooperative relations with customers for direct sales of assembly and manufacturing.

(4) Fast access to the market

The Company maintains a stable cooperative relationship with the major security monitoring manufacturers. Through the cooperation with the world's major manufacturers, we can learn more about the market trends, and develop new products in advance to meet the needs of customers and the market. In recent years, we have cooperated with international top medical equipment companies to develop gene sequencing testing chips. With our professional research and development team and the best production support from wafer foundry, our products can be quickly put into mass production and shipment in the year of establishment, and shorten the time to market of products.

(5) Global manufacturing base

Taiwan is a heart area for the production of electronic products in communications, information and consumer electronics sectors, such as mobile phones, tablet devices, PC cameras, digital cameras, and other products with large shipments and high global market share. For the Company, the customer service, delivery and cost are more competitive than those of the foreign CMOS Image Sensor design companies or the international Integrated Device Manufactures (IDM), so it has a competitive niche due to the production base is nearby.

5. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures

(1) Favorable development

(A) The demand for image sensors market continues to increase

With the development and advancement of technology, the popularity of smart living and the Internet of Things has enabled countries to continue to have more demands for various video devices. Mobile devices, tablet PCs, wearable product applications (such as Google Glass, VR, AR) and other mobile devices are driving the demands for image sensors. The market of dash cams, surveillance cameras, etc. are also growing because of consumers' awareness of security. At the same time, with the technology breakthrough in ADAS, car image, DNA sequencing, and other application areas, the demand for image sensors will be expected to grow year by year.

(B) Domestic semiconductor foundry supply chain is complete, providing local IC design companies with full logistics support.

Taiwan is the heart of global wafer foundry, with high market share, high capacity utilization, and complete process technology and experience.

Taiwan's semiconductor industry is unique in its vertical integration. The entire IC industry supply chain features a very fine vertical integration and well-organized structure, which makes the Company's products have certain advantages in terms of timekeeping and cost control.

(C) Rich industry experience

The Company is a CMOS image sensor IC design company. The R&D team has rich experience and can adjust the product portfolio in time according to market trends. The Company is also actively expanding its high-resolution market to provide customers products with higher cost-performance ratio, and to continue to increase the use of existing products and extend existing technologies

(2) Unfavorable factors and countermeasures

(A) Market competition

With technology development, CMOS image sensors are becoming more and more widely used (such as mobile phones, consumer electronics, etc.). As the market demand continues to expand, the number of manufacturers entering this sector is increasing.

Response measures:

a. Based on the Company's technological advantages, the Company would actively develop diversified, high value-added niche products to enrich product portfolio, increase profit margins, and strengthen its market competitiveness.

b. Since 2016, the Company's security monitoring products have been listed among the world's major suppliers in the TSR market survey report by the authoritative CIS survey agency, and the performance and quality of our products have been widely accepted by the market.

c. In addition to enhancing product technologies, the Company also provides after-sales services to understand the customer's needs for the future.

(B) The products are mainly exported abroad and would be exposed to the risk of exchange rate fluctuations.

Most of the Company's products are exported to mainland China and are mainly denominated in US dollars. The main purchase item is wafer and wafer fabrication is also denominated in US dollars. Therefore, the foreign currency receivables and payables could be offset and FX risk is hedged, except foreign exchange gains and losses on foreign currency net assets. The fluctuation in exchange rates can, therefore, have a certain degree of impact on the Company.

Response measures:

a. Taking advantage of the characteristic of natural hedging, the foreign currency cash sales of foreign sales products should be used for domestic and foreign procurement and outsourcing processing to generate foreign currency payables. Therefore, it is only necessary to assess the future exchange rate fluctuations against the foreign currency net assets. If there is a need for hedging, it is necessary to use various financial instruments such as currency forward contracts as needed to avert exchange rate fluctuation risks.

b. The Finance department can instantly understand the changes in exchange rates and stay in close contact with the foreign exchange departments of financial institutions to fully grasp the trend and changes in exchange rates to actively respond to the negative impact of exchange rate fluctuations.

(II) Important uses and production processes of major products

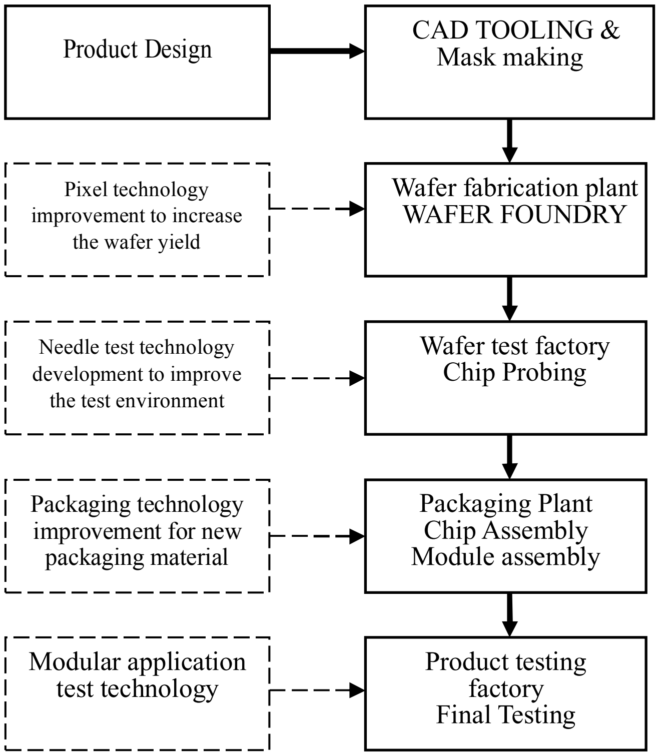
1. Major uses of the primary products

Main Product	Applications
CMOS Image Sensor	It is applied in monitoring and security equipment, driving video camera and circle-view application, gene sequencing detection chip and other imaging products

2. The production process of main products

(1) CMOS Image Sensor:

The Company is a IC design company. The overall manufacturing process includes product design, IP acquisition, wafers from wafer foundry, wafer testing, packaging, and product testing. In addition to product design and IP obtaining, we will outsource the production of wafer fabrication, wafer testing, product packaging, and product testing to dedicated OEMs. This not only reduces investment in production equipment but also increases production efficiency. Relevant engineering personnel can also focus more on the development and improvement of production technology to improve quality and yield rate.



(III) Supply Status of Main Materials

Name of raw materials	Main Suppliers	Supply Situation
Wafer	Powerchip Semiconductor Manufacturing Corp.	Good

The main raw material of the Company is wafer, and the main supplier is Powerchip Semiconductor Manufacturing Corp. The product quality has been stable, and the production capacity and delivery capacity are highly consistent. The cooperation with each other is good, and no shortage of supply conditions.

(IV) Name of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their dollar amount and proportion of purchase (or sales) of goods in any one of the most recent two fiscal years, and an explanation of the reason for changes in these figures：

1. Information on Major Suppliers in the Recent Two Years

Unit: NT$ thousands; %

Item	2019				2020				The Current Fiscal Year up to March 31, 2021			
	Name	Amount	% of Total Purchasing	Relationship with the Issuer	Name	Amount	% of Total Purchasing	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	Powerchip Semiconductor Manufacturing Corp.	1,032,202	79.86	Yes	Powerchip Semiconductor Manufacturing Corp.	1,473,297	98.11	Yes	Powerchip Semiconductor Manufacturing Corp.	364,865	98.71	Yes
2	Powerchip Technology Corporation	239,460	18.53	Yes	Others	28,432	1.89	-	TSMC	4,770	1.29	-
3	Others	20,785	1.61	-	—	-	-	-	Others	-	-	-
	Net Purchases	1,292,447	100.00		Net Purchases	1,501,729	100.00		Net Purchases	369,635	100.00	

2. Information of Major Customers in the Most Recent Two Years

Unit: NT$ thousands; %

Item	2019				2020				The Current Fiscal Year up to March 31, 2021			
	Name	Amount	% of Total Sales	Relationship with the Issuer	Name	Amount	% of Total Sales	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	Customer A	1,670,421	72.81	-	Customer A	2,419,855	72.70	-	Customer A	706,717	76.54	-
2	Customer B	160,929	7.01	-	Customer B	532,764	16.00	-	Customer B	82,142	8.90	-
3	Others	462,760	20.18	-	Others	376,076	11.30	-	Others	134,500	14.56	-
	Net sales	2,294,110	100.00		Net sales	3,328,695	100.00		Net sales	923,359	100.00	

The main customer is a distributor, and the change in ranking is mainly due to the adjustment of sales ratio on the promotion of customer business.

(V) Production volume and value in the most recent two fiscal years

Unit:1,000 pcs ;NT$ thousands

Year / Production volume and value / Main Products (or epartments)	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
CMOS Image Sensor	-	84,285	2,257,305	-	146,022	3,292,673

(VI) Sales volume and value in the most recent two fiscal years

Unit: 1,000 pcs; 1,000 pcs; NT$ thousands

Year / Sales volume and value / Main Products (or Departments)	2019				2020			
	Domestic Sales		External sales		Domestic Sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
CMOS Image Sensor	2,186	85,007	90,003	2,141,722	2,401	87,107	144,356	3,150,100
Others	-	459	-	66,922	-	-	-	91,488
Total	2,186	85,466	90,003	2,208,644	2,401	87,107	144,356	3,241,588

III. Employee Information

Unit: Person

Year		2019	2020	As of April 28, 2021
Number of employees	R&D	37	40	42
	Managerial, Sales & Marketing	14	13	13
	Manufacturing	-	-	-
	Total	51	53	55
Average Age		37.33 years old	37.26 years old	37.76 years old
Average years of services		5.40 years	5.93 years	6.11 years
Percentage Distribution of Academic Qualifications	Ph.D	1.96%	1.89%	1.82%
	Master's degree	52.94%	56.60%	56.36%
	Bechelor's degree	45.10%	41.51%	41.82%
	Associate's degree	-	-	-
	Less than associate's degree	-	-	-

IV. Environmental Protection Expenditures

The Company is a fabless IC Design house that outsources its production activities to qualified wafer foundry, testing and packaging partners. No environmental penalties were incurred in the past years and there are no foreseeable environmental contamination risks in the future.

V. Labor Relations

(I) Employee benefits, continuing education and training, and the state of the retirement system and the status of implementation of the labor management agreements

1. Employee benefits

(1) The Company established the employee welfare committee in June 2004, and the welfare matters are supervised by the employees and the members of employee welfare committee.

(2) The Company plans employee group welfare insurance to make up for the shortage of labor insurance. The employees themselves benefit from the benefits, and they also benefit the spouses and children of the employees, so that both the colleagues themselves and the families can receive the benefits.

(3) The Company has set an annual health examination plan for on-duty employees, and provides all benefits in accordance with relevant regulations.

2. Employee continuing education and training

To enhance the quality of human resources and development advantages, the Company has established educational and training methods to encourage employees to participate in various training courses and technical seminars to maintain the foundation of the Company's sustainable operation.

3. Retirement system and its implementation status

The retire system of employees of the Company shall be conducted in accordance with the provisions of the Labor Standards Act. The Labor Pension Supervisory Committee was established in June 2004, and the labor retirement reserve fund was set aside on a monthly basis in accordance with the law. In the name of the committee, it is deposited in the Supervisory Account of the Central Trust Bureau for its management and use. In accordance with the Labor Pension Act, starting from July 1, 2005, the Company would pay the labor retirement allowance monthly for the employees, choosing and applying the new system to the individual account of the Labor Insurance Bureau.

4. Agreements between the employer and employees

The harmonious labor relationship has always been one of the Company's directions. The Company has put great emphasis on employee welfare and provides excellent working environment. As of now, there is no loss arising from labor disputes, and the Company has been smooth channels to maintain the employees' equity.

(II) Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

VI. Important Contracts

As of April 28, 2021, important contracts of the Company are as follows:

Nature of Contract	Principal	Contract Start/End Date	Main Content	Restrictive Provisions
Technology Service	Nueva Imaging Inc.	Subject to terms of lease	Design services of CMOS Image Sensor	None
Technology Service	Silicon Optronics(Shanghai) Co, Ltd.	Subject to terms of lease	Line Design Services of CMOS Image Sensor	None

Chapter 6 Financial Summary

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

(I) Condensed Balance Sheet by adopting IFRSs - Consolidated

Unit: NT$ thousand

Item \ Year		Financial Summary over The Last Five Years				
		2016	2017	2018	2019	2020
Current assets		762,916	957,576	2,142,403	1,651,853	2,250,146
Property, plant and equipment		31,396	38,775	48,811	530,417	513,112
Intangible assets		268,778	262,287	234,587	211,280	207,012
Other assets		11,315	11,742	15,223	43,002	41,748
Total assets		1,074,405	1,270,380	2,441,024	2,436,552	3,012,018
Current Liability	Before Distribution	230,431	294,238	271,641	339,054	446,595
	After distribution	331,309	430,334	427,596	493,266	(Note 2)
Non-current liabilities		945	-	41	17,378	359,681
Total liabilities	Before Distribution	231,376	294,238	271,682	356,432	806,276
	After distribution	332,254	430,334	427,637	510,644	(Note 2)
Equity attributable to shareholders of the parent		843,029	976,142	2,169,342	2,080,120	2,205,742
Ordinary shares		669,359	679,809	778,279	780,809	781,059
Capital surplus		30,179	52,187	1,124,721	1,131,702	1,131,714
Retained earnings	Before Distribution	141,518	244,672	265,952	266,969	394,214
	After distribution	40,640	108,576	109,997	112,757	(Note 2)
Other equity		1,973	(526)	390	(2,365)	(4,250)
Treasury stocks		-	-	-	(96,995)	(96,995)
Non-controlling Interests		-	-	-	-	-
Total equity	Before Distribution	843,029	976,142	2,169,342	2,080,120	2,205,742
	After distribution	742,151	840,046	2,013,387	1,925,908	(Note 2)

Note 1: The above financial data have been audited and attested by the CPAs.
Note 2: Not yet allocated.

(II) Condensed Income Statement adopting IFRSs -Consolidated

Unit: NT$ thousand

Item \ Year	Financial Summary over The Last Five Years				
	2016	2017	2018	2019	2020
Operating revenue	1,405,770	1,714,565	2,034,267	2,294,110	3,328,695
Gross Profit	402,038	500,028	469,799	457,531	672,210
Operating Income	141,569	247,603	180,054	156,051	321,577
Non-operating revenue and expenses	9,592	(8,096)	9,919	26,059	5,662
Profit before income tax	151,161	239,507	189,973	182,110	327,239
Earnings from continuing operations	131,678	204,087	157,432	156,010	281,438
Income from discontinued operations	-	-	-	-	-
Net income	131,678	204,087	157,432	156,010	281,438
Other comprehensive income (loss)	(792)	(2,554)	860	(1,793)	(1,866)
Total comprehensive income	130,886	201,533	158,292	154,217	279,572
Net income attributable to shareholders of the parent	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings Per Share (NT$)	1.98	3.02	2.17	2.01	3.65

Note 1: The above financial data have been audited and attested by the CPAs.

(III) Condensed Balance Sheets – IFRS (Parent Company Only)

Unit: NT$ thousand

Item \ Year		Financial Summary over The Last Five Years 2016	2017	2018	2019	2020
Current assets		730,748	934,379	2,102,546	1,601,440	2,179,733
Property, plant and equipment		30,645	38,134	48,250	529,833	512,650
Intangible assets		9,489	6,039	3,309	516	103
Other assets		302,587	291,402	283,954	291,091	301,017
Total assets		1,073,469	1,269,954	2,438,059	2,422,880	2,993,503
Current Liability	Before Distribution	229,495	293,812	268,676	333,339	432,637
	After distribution	330,373	429,908	424,631	487,551	(Note 2)
Non-current liabilities		945	-	41	9,421	355,124
Total liabilities	Before Distribution	230,440	293,812	268,717	342,760	787,761
	After distribution	331,318	429,908	424,672	496,972	(Note 2)
Equity attributable to shareholders of the parent		843,029	976,142	2,169,342	2,080,120	2,205,742
Ordinary shares		669,359	679,809	778,279	780,809	781,059
Capital surplus		30,179	52,187	1,124,721	1,131,702	1,131,714
Retained earnings	Before Distribution	141,518	244,672	265,952	266,969	394,214
	After distribution	40,640	108,576	109,997	112,757	(Note 2)
Other equity		1,973	(526)	390	(2,365)	(4,250)
Treasury stocks		-	-	-	(96,995)	(96,995)
Non-controlling Interests		-	-	-	-	-
Total equity	Before Distribution	843,029	976,142	2,169,342	2,080,120	2,205,742
	After distribution	742,151	840,046	2,013,387	1,925,908	(Note 2)

Note 1: The above financial data have been audited and attested by the CPAs.
Note 2: Not yet allocated.

(IV) Condensed Statements of Comprehensive Income - IFRS (Parent Company only)

Unit: NT$ thousand

Item \ Year	Financial Summary over The Last Five Years				
	2016	2017	2018	2019	2020
Operating revenue	1,405,770	1,714,565	2,034,267	2,294,110	3,328,695
Gross Profit	402,038	500,028	469,799	457,531	672,210
Operating Income	156,177	255,831	192,133	162,058	310,741
Non-operating revenue and expenses	(5,079)	(19,532)	(3,774)	19,793	14,185
Profit before income tax	151,098	236,299	188,359	181,851	324,926
Earnings from continuing operations	131,678	204,087	157,432	156,010	281,438
Income from discontinued operations	-	-	-	-	-
Net income	131,678	204,087	157,432	156,010	281,438
Other comprehensive income (loss)	(792)	(2,554)	860	(1,793)	(1,866)
Total comprehensive income	130,886	201,533	158,292	154,217	279,572
Net income attributable to shareholders of the parent	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings Per Share (NT$)	1.98	3.02	2.17	2.01	3.65

Note 1: The above financial data have been audited and attested by the CPAs.

(V) Name of CPAs and Their Opinions for Most Recent 5 Years

Year	CPA firm Name of CPA	Audit opinion
2016	Deloitte & Touche Cheng-Chih Lin, Tung-Hui Yeh	Unqualified opinion
2017	Deloitte & Touche Cheng-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2018	Deloitte & Touche Ming-Yuan Chung, Cheng-Chih Lin,	Unqualified opinion
2019	Deloitte & Touche Ming-Yuan Chung, Cheng-Chih Lin,	Unqualified opinion
2020	Deloitte & Touche Ming-Yuan Chung, Cheng-Chih Lin,	Unqualified opinion

II. Financial Analysis of the Most Recent Five Fiscal Years

(I) Financial Analysis-IFRS (Consolidated)

Item	Year	Financial Information For The Last Five Years				
		2016	2017	2018	2019	2020
Capital structure (%)	Liability-to-assets ratio	21.54	23.16	11.13	14.63	26.77
	Ratio of long-term capital to property, plant and equipment	2,688.16	2,517.45	4,444.46	395.44	499.97
Liquidity	Current ratio (%)	331.08	325.44	788.69	487.19	503.84
	Quick ratio (%)	198.82	111.78	506.19	203.97	299.87
	Interest coverage ratio	1,738.48	472.47	488.11	604.01	117.75
Operation ability	Receivables turnover ratio (times)	28.99	118.30	56.82	65.13	150.95
	Average days of collection	13	3	6	6	2
	Inventory turnover ratio (times)	4.24	3.00	2.48	2.37	3.22
	Payables turnover ratio (times)	8.15	10.27	11.76	8.36	9.94
	Average inventory turnover days	86	122	147	154	117
	Property, plant and equipment turnover ratio(times)	46.14	48.87	46.45	7.92	6.38
	Total assets turnover (times)	1.47	1.46	1.1	0.94	1.22
Profitability	Return on assets (%)	13.79	17.44	8.50	6.41	10.41
	Return on equity (%)	17.13	22.44	10.01	7.34	13.13
	Income before tax to paid-up capital ratio (%)	22.58	35.23	24.41	23.32	41.90
	Net profit margin (%)	9.37	11.90	7.74	6.80	8.45
	Earnings per share (NT$) (Note 2)	1.98	3.02	2.17	2.01	3.65
Cash flow (%)	Cash flow ratio	134.09	-	52.71	38.01	113.65
	Cash flow adequacy ratio	66.35	34.89	39.18	30.06	54.79
	Cash reinvestment ratio	45.74	-	0.34	(1.42)	14.69
Leverage	Operating leverage	4.86	3.26	6.72	9.75	7.48
	Financial leverage	1.00	1.00	1.00	1.00	1.01

Reasons for changes in financial ratios for the most recent two years:

1. Increase in debt to assets ratio: due to new long-term borrowing during the period.
2. Increase in ratio of long-term capital to property, plant and equipment: due to new long-term borrowing during the period.
3. Increase in quick ratio: due to the increase in operating net profit.
4. Decrease in interest coverage ratio: due to the interest expense incurred by the new long-term borrowing in the current period.
5. Increase in receivables turnover ratio: due to the increase in operating income.
6. Increase in turnover ratio of total assets: due to the increase in operating income.
7. Increase in profitability ratio over 2019: due to the increase in operating net income.
8. Increase in cash flow ratio and cash: due to the increase in net operating income resulted from the increase in net cash flow from operating activities.

(II) Financial Analysis – IFRS (Parent Company only)

Item		Financial Information For The Last Five Years (2016)	(2017)	(2018)	(2019)	(2020)
Capital structure (%)	Liability-to-assets ratio	21.47	23.14	11.02	14.15	26.32
	Ratio of long-term capital to property, plant and equipment	2,754.03	2,559.77	4,496.13	394.38	499.53
Liquidity	Current ratio (%)	318.42	318.02	782.56	480.42	503.82
	Quick ratio (%)	198.99	108.93	506.15	205.30	302.79
	Interest coverage ratio	1,737.76	466.16	483.97	1,181.85	120.99
Operation ability	Receivables turnover ratio (times)	28.99	118.30	56.82	65.13	150.95
	Average days of collection	13	3	6	6	2
	Inventory turnover ratio (times)	4.24	3.00	2.48	2.37	3.11
	Payables turnover ratio (times)	8.15	10.44	12.11	8.51	10.08
	Average inventory turnover days	86	122	147	154	117
	Property, plant and equipment turnover ratio(times)	47.39	49.86	47.10	7.94	6.39
	Total assets turnover (times)	1.47	1.46	1.10	0.94	1.23
Profitability	Return on assets (%)	13.80	17.45	8.51	6.42	10.47
	Return on equity (%)	17.13	22.44	10.01	7.34	13.13
	Income before tax to paid-up capital ratio (%)	22.57	34.76	24.20	23.29	41.60
	Net profit margin (%)	9.37	11.90	7.74	6.80	8.45
	Earnings per share (NT$) (Note 2)	1.98	3.02	2.17	2.01	3.65
Cash flow (%)	Cash flow ratio	132.59	-	50.40	39.24	111.11
	Cash flow adequacy ratio	75.39	36.74	39.99	30.39	53.63
	Cash reinvestment ratio	46.74	-	(0.03)	(1.19)	12.49
Leverage	Operating leverage	3.90	2.97	5.93	8.94	6.47
	Financial leverage	1.00	1.00	1.00	1.00	1.01

Reasons for changes in financial ratios for the most recent two years:

1. Increase in debt to assets ratio: due to new long-term borrowing during the period.
2. Increase in ratio of long-term capital to property, plant and equipment: due to new long-term borrowing during the period.
3. Increase in quick ratio: due to the increase in operating net profit.
4. Decrease in interest coverage ratio: due to the interest expense incurred by the new long-term borrowing in the current period.
5. Increase in receivables turnover ratio: due to the increase in operating income.
6. Increase in turnover ratio of total assets: due to the increase in operating income.
7. Increase in profitability ratio over 2019: due to the increase in operating net income.
8. Increase in cash flow ratio and cash: due to the increase in net operating income resulted from the increase in net cash flow from operating activities.

Note 1: The above financial data have been audited and attested by the CPAs.

Note 2: The formulas of the above table are as follows:

1. Financial structure
   (1) Liabilities-to-asset ratio = Total liabilities/Total assets.
   (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities)/(Total net value of property, plant, and equipment).
2. Solvency (%)
   (1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current assets - inventory - prepaid expenses)/Current liabilities
(3) Interest coverage ratio = Income before income tax and interest expense/Interest expense of the current period

3. Operating performance
(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net sale/average balance of receivable of the period (including accounts receivable and business-related notes receivable).
(2) Average collection days = 365/Receivables turnover
(3) Inventory turnover = cost of sales/average inventories
(4) Payable (including accounts payable and business-related notes payable) turnover ratio = net sales revenue/average balance of payable of the period (including accounts payable and business-related notes payable).
(5) Average days for sale = 365/inventory turnover
(6) Property, plant and equipment turnover = Net sales/Average property, plant and equipment
(7) Total asset turnover = Net sales/Average total assets

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

5. Cash flows
(1) Cash flow ratio = Net cash provided by operating activities/Current liabilities
(2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years/(capital expenditure + inventory increase + cash dividend) in the most recent five years.
(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend)/gross fixed assets value + long-term investment + other assets + working capital). (Note 5)

6. Leverage:
(1) Degree of operating leverage (DOL) = (net operating revenue - variable operating cost and expenses)/operating income (Note 6)
(2) Degree of Financial Leverage (DFL) = operating profit/(operating income - interest expense)

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:
1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
2. Where there is cash replenishment or treasury stock transaction, its circulation period should be considered when calculating the weighted average number of shares.
3. Where capital increase transferred from surplus or capital reserves exists, when calculating the earnings per share of previous years and half years, it shall be retroactively adjusted according to the proportion of capital increase, need not to consider the issuance period of such capital increase.
4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 5: The following items should be noted for the analysis of cash flow:
1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refer to the annual cash flow used in capital investment.
3. The increase in inventory is only included when the ending balance is higher than the opening balance. If the inventory is reduced at the end of the year, it shall be treated as zero.

4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross value of PP&E shall refer to the total value of PP&E minus accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 7: Where company shares have no par value or where the par value per share is not NT$ 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent company of the asset balance sheet.

Note 8: For companies that have prepared parent company only financial statements shall also prepare an analysis of the Company's parent company only financial ratios.

III. 2020 Audit Committee's Review Report

Audit Committee’s Review Report

To: 2021 Annual General Shareholders’ Meeting

Silicon Optronics, Inc.

The Board of Directors has prepared the Company’s 2020 Business Report, Financial Statements (including the Consolidated Financial Statements), and proposal for distribution of earnings. The CPA firm of Deloitte & Touche has audited the Company’s Financial Statements (including the Consolidated Financial Statements) and issued the audit reports.

The above Business Report, Financial Statements (including the Consolidated Financial Statements), and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of Silicon Optronics, Inc. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Silicon Optronics, Inc.
Convener of the Audit Committee: Chang-Chou Li

March 10, 2021

IV. 2020 Independent Auditors' Report and Consolidated Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Silicon Optronics, Inc.

By:

Xinping He
Chairman

March 10, 2021

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Sales Revenue

The Group's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Group's sales transactions; therefore, the validity of sales revenue from the key customers has been identified as a key audit matter for the year ended December 21, 2020. For the accounting policies on revenue recognition, please refer to Note 4(m) to the consolidated financial statements.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. We understood internal controls on order approval and shipment procedures and tested the operating effectiveness of such controls.

2. We understood the background of the key customers and assessed whether the transaction amounts and credit line were comparable to the scope of such customers and whether they had been appropriately approved.

3. To confirm the validity of sales revenue, we selected samples of the sales transactions and inspected the customer orders, as well as delivery orders and invoices that have been confirmed by the counterparties, and also whether the sales counterparties were the same as the counterparties collecting payment.

Inventory Valuation

As of December 31, 2020, the Group's inventory balance was $849,523 thousand, accounting for 29% of the combined total assets. For the related accounting policies, please refer to Note 4(g) to the consolidated financial statements. As the amount of the inventory is significant and the assessment of net realizable value involves significant management judgments, particularly with regard to estimates of inventory valuation and obsolescence loss, thus, inventory valuation was considered as a key audit matter. We have evaluated the appropriateness of the method used by the Group to calculate the inventory valuation and obsolescence loss at the end of the year and performed the following audit procedures:

1. Based on our understanding of the industry and nature of products of the Group, we verified the appropriateness of the method of inventory aging management, and also took samples of and tested whether the aging classification was appropriate.

2. We performed recalculations to determine if the assessment of the net realizable value was reasonable, and verified whether the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data, and also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.

3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and analyzed the reasons for the differences in the provision for loss in 2020 compared to 2019, to assess whether the provision for inventory valuation and obsolescence losses was appropriate.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ming-Yuan Chung and Cheng-Chih Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

Notice to Readers

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

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

SILICON OPTRONICS, INC. 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 4 and 6)	$ 547,597	18	$ 541,706	22
Financial assets at amortized cost - current (Notes 4, 7 and 25)	758,754	25	138,610	6
Accounts receivable - net (Notes 4 and 8)	32,842	1	11,260	1
Inventories (Notes 4, 5 and 9)	849,523	29	856,520	35
Prepayments and other current assets (Notes 4, 14 and 25)	61,430	2	103,757	4
Total current assets	2,250,146	75	1,651,853	68
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 25 and 27)	4,048	-	2,532	-
Property, plant and equipment (Notes 4, 11 and 27)	513,112	17	530,417	22
Right-of-use assets (Notes 4 and 12)	17,085	-	24,558	1
Goodwill (Notes 4 and 5)	199,228	7	199,228	8
Intangible assets (Notes 4 and 13)	7,784	-	12,052	-
Deferred tax assets (Notes 4 and 21)	17,454	1	12,952	1
Other non-current assets (Notes 4, 14 and 17)	3,161	-	2,960	-
Total non-current assets	761,872	25	784,699	32
TOTAL	$ 3,012,018	100	$ 2,436,552	100

	2020		2019	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Note 19)	$ 15,940	1	$ 10,090	1
Accounts payable (Note 4)	120,321	4	125,806	5
Accounts payable to related parties (Notes 4 and 26)	154,167	5	134,387	6
Other current liabilities (Notes 4 and 16)	100,836	3	56,527	2
Current tax liabilities (Notes 4 and 21)	47,664	2	4,619	-
Lease liabilities - current (Notes 4 and 12)	7,667	-	7,625	-
Total current liabilities	446,595	15	339,054	14
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	350,000	12	-	-
Deferred income tax liabilities (Notes 4 and 21)	208	-	337	-
Lease liabilities - non-current (Notes 4 and 12)	9,473	-	17,041	1
Total non-current liabilities	359,681	12	17,378	1
Total liabilities	806,276	27	356,432	15
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
Ordinary shares	781,059	26	780,809	32
Capital surplus	1,131,714	37	1,131,702	46
Retained earnings				
Legal reserve	65,911	2	50,310	2
Special reserve	2,365	-	-	-
Unappropriated earnings	325,938	11	216,659	9
Other equity				
Exchange differences on translating the financial statements of foreign operations	(4,250)	-	(2,365)	-
Treasury shares	(96,995)	(3)	(96,995)	(4)
Total equity	2,205,742	73	2,080,120	85
TOTAL	$ 3,012,018	100	$ 2,436,552	100

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 19 and 30)	$ 3,328,695	100	$ 2,294,110	100
OPERATING COSTS (Notes 9, 20 and 26)	2,656,485	80	1,836,579	80
GROSS PROFIT	672,210	20	457,531	20
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	20,291	1	20,692	1
General and administrative expenses	45,670	1	40,693	2
Research and development expenses	284,672	8	240,095	10
Total operating expenses	350,633	10	301,480	13
OPERATING INCOME	321,577	10	156,051	7
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	4,488	-	16,735	1
Other income	458	-	1,197	-
Other gains and losses	3,519	-	8,429	-
Finance costs	(2,803)	-	(302)	-
Total non-operating income and expenses	5,662	-	26,059	1
PROFIT BEFORE INCOME TAX	327,239	10	182,110	8
INCOME TAX EXPENSE (Notes 4 and 21)	(45,801)	(2)	(26,100)	(1)
NET INCOME	281,438	8	156,010	7
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	19	-	962	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	(1,885)	-	(2,755)	-
Total other comprehensive loss	(1,866)	-	(1,793)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 279,572	8	$ 154,217	7

(Continued)

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 22)				
Basic	$ 3.65		$ 2.01	
Diluted	$ 3.64		$ 2.00	

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	Ordinary Share Capital			Retained Earnings			Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2019	77,828	$ 778,279	$ 1,124,721	$ 34,567	$ 526	$ 230,859	$ 390	$ -	$ 2,169,342
Appropriation of 2018 earnings									
Legal reserve	-	-	-	15,743	-	(15,743)	-	-	-
Special reserve	-	-	-	-	(526)	526	-	-	-
Cash dividends distributed by Silicon Optronics, Inc.	-	-	-	-	-	(155,955)	-	-	(155,955)
Net profit for the year ended December 31, 2019	-	-	-	-	-	156,010	-	-	156,010
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	962	(2,755)	-	(1,793)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	156,972	(2,755)	-	154,217
Issuance of ordinary shares under employee share options	253	2,530	6,981	-	-	-	-	-	9,511
Buy-back of ordinary shares	-	-	-	-	-	-	-	(96,995)	(96,995)
BALANCE, DECEMBER 31, 2019	78,081	780,809	1,131,702	50,310	-	216,659	(2,365)	(96,995)	2,080,120
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,601	-	(15,601)	-	-	-
Special reserve	-	-	-	-	2,365	(2,365)	-	-	-
Cash dividends distributed by Silicon Optronics, Inc.	-	-	-	-	-	(154,212)	-	-	(154,212)
Net profit for the year ended December 31, 2020	-	-	-	-	-	281,438	-	-	281,438
Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	-	19	(1,885)	-	(1,866)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	281,457	(1,885)	-	279,572
Issuance of ordinary shares under employee share options	25	250	12	-	-	-	-	-	262
BALANCE, DECEMBER 31, 2020	78,106	$ 781,059	$ 1,131,714	$ 65,911	$ 2,365	$ 325,938	$ (4,250)	$ (96,995)	$ 2,205,742

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

SILICON OPTRONICS, INC. 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	$ 327,239	$ 182,110
Adjustments for:		
Depreciation expenses	90,351	57,451
Amortization expenses	7,422	26,946
Finance costs	2,803	302
Interest income	(4,488)	(16,735)
Write downs of inventories	22,512	12,422
Net loss (gain) on foreign currency exchange	1,443	(12,155)
Net gain on modification of lease contracts	-	(3)
Changes in operating assets and liabilities		
Accounts receivable	(21,686)	47,790
Inventories	(15,515)	(174,521)
Prepayments and other current assets	41,354	(30,794)
Contract liabilities	5,832	4,202
Accounts payable	(7,098)	74,489
Accounts payable to related parties	18,213	10,071
Accrued expenses and other current liabilities	46,613	2,544
Net defined benefit assets	(35)	(32)
Cash generated from operations	514,960	184,087
Income tax paid	(7,387)	(55,222)
Net cash generated from operating activities	507,573	128,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(671,516)	(140,132)
Proceeds from financial assets at amortized cost	50,012	830,225
Payments of property, plant and equipment	(66,842)	(531,168)
(Increase) decrease in refundable deposits	(147)	188
Payments for intangible assets	(3,608)	(3,893)
Payments for right-of-use assets	-	(455)
Interest received	4,488	16,735
Net cash (used in) generated from investing activities	(687,613)	171,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	350,000	-
Repayment of the principal portion of lease liabilities	(7,426)	(7,954)
Dividends paid	(154,212)	(155,955)
Exercise of employee share options	262	9,511
Payments for buy-back of ordinary shares	-	(96,995)
Interest paid	(2,803)	(302)
Net cash generated from (used in) financing activities	185,821	(251,695)

(Continued)

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2020	2019
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	110	6,143
NET INCREASE IN CASH	5,891	54,813
CASH AT THE BEGINNING OF THE YEAR	541,706	486,893
CASH AT THE END OF THE YEAR	$ 547,597	$ 541,706

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the "Company") was incorporated in the Republic of China ("ROC") on May 24, 2004 and commenced business on May 27, 2004. The Company's main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 10, 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 material impact on the Group's accounting policies:

1) Amendments to IFRS 3 "Definition of Business"

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

2) Amendments to IAS 1 and IAS 8 "Definition of Materiality"

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.

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

New IFRSs	Effective Date Announced by The 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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undecided
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
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

1) Amendment to IAS 1 "Classification of liabilities as current or non-current"

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

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

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

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

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each 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 that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Group's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the 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; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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.

h. 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.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in 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.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each 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) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

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

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

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

l. 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 recognized 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 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 category

Financial assets are classified as financial assets at amortized cost.

i. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposit with original maturities of more than 3 months and refundable deposits, 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 a financial asset, except for:

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

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

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 trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

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.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

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

n. Leases

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

<u>The Group as lessee</u>

Except for short-term leases and low-value asset leases that 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 comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

o. 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 or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

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.

q. Share-based payment arrangements

Employee share options granted

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

At the end of each reporting period, the Group revises its estimate of the number of employee share options 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.

r. 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 263	$ 272
Bank deposits	547,334	96,544
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits in banks	-	444,890
	$ 547,597	$ 541,706

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	December 31	
	2020	**2019**
Time deposits	-	0.65%-2.32%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	**2019**
Current		
Time deposit with original maturities of more than 3 months (a)	$ 758,754	$ 138,610
Non-current		
Pledged time deposits (a and c)	$ 4,048	$ 2,532

a. The interest rates rangess of time deposits with original maturities of more than 3 months were 0.08%-2.40% and 0.16%-2.80% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	December 31	
	2020	**2019**
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	$ 32,842	$ 11,260
Less: Allowance for impairment loss	-	-
	$ 32,842	$ 11,260

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

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 reporting period 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 trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2020

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	$ 16,224	$ 16,618	$ -	$ -	$ 32,842
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 16,224	$ 16,618	$ -	$ -	$ 32,842

December 31, 2019

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	$ 10,648	$ 612	$ -	$ -	$ 11,260
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 10,648	$ 612	$ -	$ -	$ 11,260

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

	December 31 2020	December 31 2019
Balance at January 1	$ -	$ -
Add: Net remeasurement of loss allowance	-	1
Add: Amounts written off	-	(1)
Balance at December 31	$ -	$ -

9. INVENTORIES

The movements in the allowance for doubtful accounts were as follows:

	December 31 2020	December 31 2019
Finished goods	$ 170,650	$ 222,479
Work in progress	675,500	633,513
Raw materials	3,373	528
Balance at December 31	$ 849,523	$ 856,520

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was $2,656,485 thousand and $1,836,579 thousand, which included inventory write-downs of $22,512 thousand and $12,422 thousand, respectively.

10. SUBSIDIARIES

			Percentage% of Ownership	
			December 31	
Investor	Investee	Main Business	2020	2019
Silicon Optronics, Inc.	NUEVA IMAGING, INC. (“NUEVA”)	Research and development and design of high order CMOS Image Sensor products	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. (“Silicon Cayman”)	Investment business	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries. The financial reports of the above subsidiaries had been audited by accountants.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Leasehold Improvement	Photomasks	Prepayment for Business Facilities	Total
Cost									
Balance at January 1, 2019	$ 4,318	$ -	$ 18,644	$ 2,239	$ 1,946	$ 204	$ 198,536	$ -	$ 225,887
Additions	119	-	5,508	212	-	-	51,744	472,972	530,555
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Effect of exchange rate changes	(11)	-	-	(38)	(42)	-	-	-	(91)
Balance at December 31, 2019	$ 1,464	$ -	$ 13,586	$ 1,137	$ 1,672	$ -	$ 96,810	$ 472,972	$ 587,641
Accumulated depreciation									
Balance at January 1, 2019	$ 3,550	$ -	$ 13,042	$ 1,715	$ 1,811	$ 204	$ 155,571	$ -	$ 175,893
Depreciation expense	399	-	3,697	222	68	-	44,541	-	48,927
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Effect of exchange rate changes	(7)	-	-	(22)	(40)	-	-	-	(69)
Balance at December 31, 2019	$ 980	$ -	$ 6,173	$ 639	$ 1,607	$ -	$ 46,642	$ -	$ 56,041
Accumulated impairment									
Balance at January 1, 2019 and December 31, 2019	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2019	$ 484	$ -	$ 6,230	$ 498	$ 65	$ -	$ 50,168	$ 472,972	$ 530,417
Cost									
Balance at January 1, 2020	$ 1,464	$ -	$ 13,586	$ 1,137	$ 1,672	$ -	$ 96,810	$ 472,972	$ 587,641
Additions	115	-	4,553	-	103	-	59,812	112	64,695
Disposal	-	-	(5,474)	-	(32)	-	(47,822)	-	(53,328)
Reclassified	-	473,084	-	-	-	-	-	(473,084)	-
Effect of exchange rate changes	5	-	-	16	(78)	-	-	-	(57)
Balance at December 31, 2020	$ 1,584	$ 473,084	$ 12,665	$ 1,153	$ 1,665	$ -	$ 108,800	$ -	$ 598,951
Accumulated depreciation									
Balance at January 1, 2020	$ 980	$ -	$ 6,173	$ 639	$ 1,607	$ -	$ 46,642	$ -	$ 56,041
Depreciation expense	276	21,026	3,944	195	57	-	56,505	-	82,003
Disposal	-	-	(5,474)	-	(32)	-	(47,822)	-	(53,328)
Effect of exchange rate changes	4	-	-	12	(76)	-	-	-	(60)
Balance at December 31, 2020	$ 1,260	$ 21,026	$ 4,643	$ 846	$ 1,556	$ -	$ 55,325	$ -	$ 84,656
Accumulated impairment									
Balance at January 1, 2020 and December 31, 2020	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2020	$ 324	$ 452,058	$ 6,839	$ 307	$ 109	$ -	$ 53,475	$ -	$ 513,112

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

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Leasehold improvements	5-8 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 17,085	$ 24,558

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ -	$ 516
Depreciation charge for right-of-use assets		
Buildings	$ 8,348	$ 8,524

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 7,667	$ 7,625
Non-current	$ 9,473	$ 17,041

The discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1%	1%

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

The Group did not have significant new lease contracts in 2020 and 2019. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. 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

	December 31	
	2020	2019
Expenses relating to short-term leases	$ 505	$ 515
Expenses relating to low-value asset leases	$ 59	$ 55
Total cash outflow for leases	$ (8,198)	$ (4,810)

13. INTANGIBLE ASSETS

	Technology License Fees	Patents	Software	Total
Cost				
Balance at January 1, 2019	$ 145,889	$ 60,940	$ 19,908	$ 226,737
Additions	-	-	3,893	3,893
Disposal	(145,889)	(45,659)	-	(191,548)
Effect of exchange rate changes	-	(366)	(495)	(861)
Balance at December 31, 2019	$ -	$ 14,915	$ 23,306	$ 38,221
Accumulated amortization				
Balance at January 1, 2019	$ 130,259	$ 46,382	$ 14,737	$ 191,378
Amortization expense	15,630	5,664	5,652	26,946
Disposal	(145,889)	(45,659)	-	(191,548)
Effect of exchange rate changes	-	(172)	(435)	(607)
Balance at December 31, 2019	$ -	$ 6,215	$ 19,954	$ 26,169
Carrying amounts at December 31, 2019	$ -	$ 8,700	$ 3,352	$ 12,052
Cost				
Balance at January 1, 2020	$ -	$ 14,915	$ 23,306	$ 38,221
Additions	-	-	3,608	3,608
Effect of exchange rate changes	-	(746)	(1,037)	(1,783)
Balance at December 31, 2020	$ -	$ 14,169	$ 25,877	$ 40,046

(Continued)

	Technology License Fees	Patents	Software	Total
Accumulated amortization				
Balance at January 1, 2020	$ -	$ 6,215	$ 19,954	$ 26,169
Amortization expense	-	2,940	4,482	7,422
Effect of exchange rate changes	-	(417)	(912)	(1,329)
Balance at December 31, 2020	$ -	$ 8,738	$ 23,524	$ 32,262
Carrying amounts at December 31, 2020	$ -	$ 5,431	$ 2,353	$ 7,784

(Concluded)

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended December 31, 2019 and 2020.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Technology license fees	7 years
Patents	3-7 years
Software	3 years

14. OTHER ASSETS

	December 31	
	2020	2019
Current		
Prepaid income tax	$ 41,175	$ 63,867
Tax receivables	18,054	22,586
Prepayments for purchases	1,187	6,076
Tax credits	-	6,623
Others	1,014	4,605
	$ 61,430	$ 103,757
Non-current		
Refundable deposits	$ 1,787	$ 1,640
Net defined benefit assets	1,374	1,320
	$ 3,161	$ 2,960

15. LONG-TERM BORROWINGS

	December 31	
	2020	2019
Secured borrowings (Note 27)		
Bank borrowings	$ 350,00	$ -

In the year ended December 31, 2020, the Group acquired new bank borrowing facilities in the amount of $350,000 thousand, with a floating interest rate of 0.987% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments staring from April 2022. The loan is to be repaid before April 1, 2025.

16. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Other payables		
Payables for bonuses	$ 35,536	$ 18,651
Payables for employees' compensation	28,570	16,030
Payables for processing	13,787	-
Payables for purchases of equipment	5,207	7,313
Payables for remuneration of directors	3,750	2,500
Others	13,852	11,909
	100,702	56,403
Other liabilities		
Receipts under custody	134	124
	$100,836	$ 56,527

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Silicon Optronics (Shanghai) Co., Ltd. is a member of a state-managed retirement benefit plan operated by the government of the People's Republic of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

The amounts included in the consolidated balance sheets in respect of the Company's benefit plans are as follows:

	December 31 2020	December 31 2019
Present value of defined benefit obligation	$ 285	$ 249
Fair value of plan assets	(1,659)	(1,569)
Net defined benefit assets	$ (1,374)	$ (1,320)

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
Balance at January 1, 2019	$ 1,149	$ (1,475)	$ (326)
Net interest expense (income)	11	(14)	(3)
Recognized in profit or loss	11	(14)	(3)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	8	-	8
Actuarial loss - experience adjustments	(919)	(51)	(970)
Recognized in other comprehensive loss (income)	(911)	(51)	(962)
Contributions from the employer	-	(29)	(29)
Balance at December 31, 2019	249	(1,569)	(1,320)
Net interest expense (income)	3	(13)	(10)
Recognized in profit or loss	3	(13)	(10)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	17	-	17
Actuarial loss - experience adjustments	16	(52)	(36)
Recognized in other comprehensive loss (income)	33	(52)	(19)
Contributions from the employer	-	(25)	(25)
Balance at December 31, 2020	$ 285	$ (1,659)	$ (1,374)

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 corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	December 31	
	2020	**2019**
Discount rate	0.4%	0.8%
Expected rate of salary increase	3.0%	3.0%

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

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (11)	$ (10)
0.25% decrease	$ 11	$ 11
Expected rate of salary increase/decrease		
0.25% increase	$ 10	$ 10
0.25% decrease	$ (10)	$ (9)

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

	December 31	
	2020	**2019**
Expected contributions to the plans for the next year	$ 22	$ 21
Average duration of the defined benefit obligation	16 years	17 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	**2019**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,106	78,081
Shares issued	$ 781,059	$ 780,809

A total of 6,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options.The increase in the Company’s share capital is mainly due to the employees’ exercise of their employee share options.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 1,114,427	$ 1,114,415
May be used to offset a deficit only		
Arising from employee share options exercised price	12,269	12,158
May not be used for any purpose		
Arising from employee share options	5,018	5,129
	$ 1,131,714	$ 1,131,702

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).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Total
Balance at January 1, 2019	$ 1,107,434	$ 17,287	$ 1,124,721
Issuance of ordinary shares under employee share options	6,981	-	6,981
Balance at December 31, 2019	1,114,415	17,287	1,131,702
Issuance of ordinary shares under employee share options	12	-	12
Balance at December 31, 2020	$ 1,114,427	$ 17,287	$ 1,131,714

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018. which had been approved in the shareholders' meetings on June 16, 2020 and June 18, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	**2018**
Legal reserve	$ 15,601	$ 15,743
Special reserve	2,365	(526)
Cash dividends	154,212	155,955
Dividends per share (NT$)	2.0	2.0

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 3, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 28,146
Special reserve	1,885
Cash dividends	215,897
Dividends per share (NT$)	$ 2.8

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' in their' meeting to be held on June 16, 2021.

d. Other equity items

	For the Year Ended December 31	
	2020	**2019**
Balance, beginning of year	$ (2,365)	$ 390
Exchange differences on translation of the financial statements of foreign operations	(1,885)	(2,755)
Balance, end of year	$ (4,250)	$ 2,365

e. Treasury shares

	For the Year Ended December 31	
	2020	2019
Treasury shares (In thousand of shares)	1,000	1,000

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT$53 to NT$115 per share.

In October 2019, the Company completed the repurchase of 1,000 thousand shares for $96,995 thousand.

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2019	-
Increase during the year	1,000
Number of shares at December 31, 2019	1,000

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

19. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	$ 3,249,068	$ 2,245,120
Others	79,627	48,990
	$ 3,328,695	$ 2,294,110

a. Contract balances

	December 31		
	2020	2019	2018
Accounts receivable (Note 8)	$ 32,842	$ 11,260	$ 59,182
Contract liabilities - current			
Sale of goods	$ 15,940	$ 10,090	$ 6,012

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

	For the Year Ended December 31	
	2020	2019
From the contract liabilities at the beginning of the year		
Sale of goods	$ 7,408	$ 3,508

b. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
Primary geographical markets		
Hong Kong	$ 3,007,489	$ 2,072,482
United States of America	99,883	78,194
Taiwan (the Group's operating location)	87,107	85,466
Others	134,216	57,968
	$ 3,328,695	$ 2,294,110
Major goods		
CMOS	$ 3,237,207	$ 2,226,729
Others	91,488	67,381
	$ 3,328,695	$ 2,294,110

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposit	$ 2,949	$ 14,673
Financial assets at amortized cost	1,531	2,053
Others	8	9
	$ 4,488	$ 16,735

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	$ 458	$ 1,197

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gain	$ 3,553	$ 8,440
Other losses	(34)	(11)
	$ 3,519	$ 8,429

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 2,595	$ 302
Interest on bank loans	208	-
	$ 2,803	$ 302

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 82,003	$ 48,927
Right-of-use assets	8,348	8,524
Intangible assets	7,422	26,946
Total	$ 97,773	$ 84,397
An analysis of depreciation by function		
Operating costs	$ 20,038	$ 13,699
Operating expenses	70,313	43,752
	$ 90,351	$ 57,451
An analysis of amortization by function		
Research and development expenses	$ 7,422	$ 26,946

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	$ 3,097	$ 3,103
Defined benefit plans	(10)	(3)
	3,087	3,100
Other employee benefits	206,091	169,302
Total employee benefits expense	$ 209,178	$ 172,042
An analysis of employee benefits expense by function		
Operating expenses	$ 209,178	$ 172,042

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were resolved in the board of directors' meetings on March 10, 2021 and March 17, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	8%	8%
Remuneration of directors and supervisors	1%	2%

Amount

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	$ 28,570	$ 16,030
Remuneration of directors and supervisors	3,750	2,500

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

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

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

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2020	**2019**
Current tax		
In respect of the current year	$ 47,990	$ 28,186
Adjustments for prior years	2,442	103
	50,432	28,289
Deferred tax		
In respect of the current year	(4,631)	(2,189)
Income tax expense recognized in profit or loss	$ 45,801	$ 26,100

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	$ 327,239	$ 182,110
Income tax expense calculated at the statutory rate	$ 65,628	$ 36,629
Nondeductible expenses in determining taxable income	(1,978)	1,336
Unrecognized deductible temporary differences	4,631	2,189
Investment credits of the current year	(20,291)	(11,968)
Deferred tax		
Temporary differences	(4,631)	(2,189)
Adjustments for prior years' tax	2,442	103
Income tax expense recognized in profit or loss	$ 45,801	$ 26,100

b. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 47,664	$ 4,619

c. 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	Closing Balance
Deferred tax assets			
Allowance for impairment loss	$ 12,952	$ 4,502	$ 17,454
Deferred tax liabilities			
Gain on foreign currency exchange	$ 337	$ (129)	$ 208

For the Year Ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Allowance for impairment loss	$ 10,467	$ 2,485	$ 12,952
Deferred tax liabilities			
Gain on foreign currency exchange	$ 41	$ 296	$ 337

d. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	**2019**
Basic earnings per share	$ 3.65	$ 2.01
Diluted earnings per share	$ 3.64	$ 2.00

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Earnings used in the computation of basic earnings per share	$ 281,438	$ 156,010
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	$ 281,438	$ 156,010

Number of shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,105	77,718
Effect of potentially dilutive ordinary shares:		
Employee share options	1	54
Bonuses issued to employees	278	204
Weighted average number of ordinary shares used in the computation of diluted earnings per share	77,384	77,976

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

	2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
For the year ended December 31, 2019				
Balance at January 1	288	$ 41.49	805	$ 16.34
Options exercised	(188)	46.00	(65)	13.27
Option expired	-	-	(110)	12.55
Balance at December 31	100	33.00	630	17.31
Options exercisable, end of period	100		630	
For the year ended December 31, 2020				
Balance at January 1	100	$ 33.00	630	$ 17.31
Options exercised	-	-	(25)	10.50
Balance at December 31	100	33.00	605	17.17
Options exercisable, end of period	100		605	

Information on outstanding options as follows:

December 31, 2020			December 31, 2019		
Share Option Plan	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (In Years)
2013 Employee share option plan	$32.21-33.00	2.62	2013 Employee share option plan	$ 33.0-46.00	3.62
2012 Employee share option plan	10.25-19.03	1.82	2012 Employee share option plan	10.50-19.50	2.81

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on June 10, 2014, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$13.55
Exercise price (NT$)	$46.00
Expected volatility	33.73%-37.88%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.68%-1.12%
Fair value of stock options	0.05-0.55

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on August 13, 2013, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$11.18
Exercise price (NT$)	$33.0
Expected volatility	37.6%-41.65%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.82%-1.07%
Fair value of stock options	0.18-0.93

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on November 13, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$12.29
Exercise price (NT$)	$19.5
Expected volatility	44.34%-54.56%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.75%-0.85%
Fair value of stock options	1.67-3.94

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on May 25, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$10.10
Exercise price (NT$)	$10.50
Expected volatility	46.76%-47.19%
Expected life	6-7 years
Expected dividend yield	-
Risk-free interest rate	1.09%-1.15%
Fair value of stock options	4.45-4.81

24. 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.

Key management personnel of the Group review the capital structure on an annual 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 number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

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

25. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2020	**2019**
Financial assets		
Financial assets at amortized cost (Note 1)	$ 1,345,028	$ 695,748
Financial liabilities		
Amortized cost (Note 2)	643,482	267,506

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposits and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), other payables (including related parties), and long-term debt.

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 97% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 96% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by $296 thousand and $(488) thousand, respectively.

b) Interest rate risk

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

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 762,802	$ 586,032
Cash flow interest rate risk		
Financial assets	547,324	96,534
Financial liabilities	350,000	-

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had been 0.5% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $987 thousand and $483 thousand, respectively.

2) Credit risk management

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

The Group transacts with a large number of unrelated customers, thus, no concentration of credit risk was observed.

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 facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Group. For the Group's unutilized financing facilities, please refer to (2) Financing facilities below.

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

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	$ 650	$ 1,300	$ 5,849	$ 9,098
Accounts payable	95,205	25,116	-	-
Accounts payable - related parties	132,384	21,783	-	-
Payables for processing	-	13,787	-	-
Payables for purchases of equipment	2,771	2,436	-	-
Long-term borrowings	288	576	2,591	356,333
	$ 231,298	$ 64,998	$ 8,440	$ 365,431

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	$ 653	$ 1,306	$ 5,876	$ 16,975
Accounts payable	98,814	26,992	-	-
Accounts payable - related parties	132,521	1,866	-	-
Payables for purchases of equipment	2,494	4,819	-	-
	$ 234,482	$ 34,983	$ 5,876	$ 16,975

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ -	$ -
Amount unused	200,000	200,000
	$ 200,000	$ 200,000
Secured bank overdraft facilities:		
Amount used	$ 350,000	$ -
Amount unused	250,000	500,000
	$ 600,000	$ 500,000

26. 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 below.

a. Related party name and category

Related Party Name	Related Party Category
Powerchip Technology Corp.	Substantive related parties
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties

b. Purchases

Related Party Category	For the Year Ended December 31	
	2020	2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 1,473,297	$ 1,032,202
Powerchip Technology Corp.	-	239,460
	$ 1,473,297	$ 1,271,662

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

c. Research and development expenses

Related Party Category	December 31 2020	December 31 2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 4,702	$ 47
Powerchip Technology Corp.	-	379
	$ 4,702	$ 426

d. Accounts payable to related parties

Related Party Category	December 31 2020	December 31 2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 154,167	$ 134,387

e. Other transactions with related parties

The Group signed a joint development contract with Powerchip Semiconductor Manufacturing Co., Ltd. According to the contract, the Group will provide some machinery and equipment for the purpose of research and development.

f. Remuneration of key management personnel

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Short-term employee benefits	$ 22,831	$ 24,277

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	December 31 2020	December 31 2019
Property, plant and equipment - R&D equipment	$452,058	$ -
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	4,048	2,532
	$456,106	$ 2,532

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the 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	$ 11,060	28.48(USD:NTD)	$ 314,965
CNY	2,237	4.377(RMB:NTD)	9,792
			$ 324,757
Financial liabilities			
Monetary items			
USD	10,019	28.48(USD:NTD)	$ 285,331

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,074	29.98(USD:NTD)	$ 212,080
CNY	2,179	4.305(RMB:NTD)	9,382
			$ 221,462
Financial liabilities			
Monetary items			
USD	8,702	29.98(USD:NTD)	$ 260,886

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ 2,179	1 (NTD:NTD)	$ 9,708
CNY	4.282 (CNY:NTD)	1,070	4.305 (CNY:NTD)	(1,268)
USD	29.549 (USD:NTD)	304	30.72 (USD:NTD)	-
		$ 3,553		$ 8,440

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

   1) Financing provided to others: None;

   2) Endorsements/guarantees provided: None;

   3) Marketable securities held (excluding investments in subsidiaries): 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) Acquisition 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 of at least NT$100 million or 20% of the paid-in capital: See Table 1;

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

   9) Information about the derivative instruments transaction: None;

   10) Intercompany relationships and significant intercompany transactions: See Table 2;

b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3;

c. Information on investments in mainland China: See Table 4.

d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 5

30. SEGMENT INFORMATION

a. Operation segment information

   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 segment revenues and operating results for the years ended December 31, 2020 and 2019 are shown in the consolidated income statements for the years ended December 31, 2020 and 2019. The segment assets as of December 31, 2020 and 2019 are shown in the consolidated balance sheets as of December 31, 2020 and 2019.

b. Revenue from major products and services

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

	For the Year Ended December 31	
	2020	2019
Complementary metal-oxide semiconductors	$ 3,237,207	$ 2,226,729
Others	91,488	67,381
	$ 3,328,695	$ 2,294,110

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2020	2019	2020	2019
Hong Kong	$ 3,007,489	$ 2,072,482	$ -	$ -
United States of America	99,883	78,194	11,094	16,371
Taiwan (the Group's operating location)	87,107	85,466	522,663	544,410
Others	134,216	57,968	6,011	7,886
	$ 3,328,695	$ 2,294,110	$ 539,768	$ 568,667

Non-current assets exclude financial assets at amortized cost non-current, deferred tax assets, post-employment benefit assets and goodwill.

d. Information about major customers

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

	For the Year Ended December 31	
	2020	2019
Customer A	$ 2,419,855	$ 1,670,421
Customer B	-	202,974
Customer C	532,764	135,751

SILICON OPTRONICS, INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Silicon Optronics, Inc.	Powerchip Semiconductor Manufacturing Corp.	Substantive related parties	Purchase	$ 1,473,297	57	Note	-	-	$ (154,167)	56	-

Note: Mainly paid on the 30th days after the month of the invoice date.

TABLE 2

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2020		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	$ 38,501	1%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	2,964	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	71,022	2%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	4,909	-	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

TABLE 3

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	$ 358,500	$ 358,500	6,000	100	$ 243,371	$ 2,941	$ 2,941	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	24,860	6,949	6,949	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital (US$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (US$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (US$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US$ 175 thousand	Note 1	$ 4,984 (US$ 175 thousand)	$ -	$ -	$ 4,984 (US$ 175 thousand)	$ 6,949	100	$ 6,949	$ 24,680	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (US$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US$ in Thousands)
$ 4,984 (US$ 175 thousand)	Note 1	$ 1,323,445

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.’s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US$ 175 thousand.

Note 2: Amount was recognized on the basis of the audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2020.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	18,676,413	23.91
Samoa Full Guest Investment Limited	4,875,458	6.24
Xiao Dong Luo	4,583,587	5.86

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

V. 2020 Independent Auditors' Report and Unconsolidated Financial Statements

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matters of the Company's parent company only financial statements for the year ended December 31, 2020 are described as follows:

<u>Sales Revenue</u>

The Company's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Company's sales transactions; therefore, the validity of sales revenue from the key customers has been identified as a key audit matter for the year ended December 21, 2020. For the accounting policies on the revenue recognition, please refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. We understood the internal controls on order approval and shipment procedures and tested the operating effectiveness such controls.

2. We understood the background of the key customers and assessed whether the transaction amounts and credit lines were comparable to the scope of such customers and whether they had been appropriately approved.

3. To confirm the validity of sales revenue, we selected samples of the sales transactions and inspected the customer orders as well, delivery orders and invoices that have been confirmed by the counterparties, and also whether the sales counterparties were the same as the counterparties collecting payment.

Inventory Valuation

As of December 31, 2020, the Company's inventory balance was $849,523 thousand, accounting for 29% of the combined total assets. For the related accounting policies, please refer to Note 4 (e) to the parent company only financial statements. As the amount of the inventory is significant and the assessment of net realizable value involves significant management judgements, particularly with regard to estimates of inventory valuation and obsolescence loss, thus, inventory valuation was considered as a key audit matter. We have evaluated the appropriateness of the method used by the Company to calculate the inventory valuation and obsolescence loss at the end of the year and performed the following audit procedures:

1. Based on our understanding of the industry and nature of products of the Company, we verified the appropriateness of the method of inventory aging management, and also took samples of and tested whether the aging classification was appropriate.

2. We performed recalculations to determine if the assessment of the net realizable value was reasonable, and verified whether the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data, and also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.

3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and analyzed the reasons for the differences in the provision for loss in 2020 compared to 2019, to assess whether the provision for inventory valuation and obsolescence losses was appropriate.

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

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

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

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

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

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ming-Yuan Chung and Cheng-Chih Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

Notice to Readers

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

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

SILICON OPTRONICS, INC.

PARENT COMPANY ONLY 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 4 and 6)	$ 518,384	17	$ 534,484	22
Financial assets at amortized cost - current (Notes 4, 7 and 25)	758,754	25	138,610	6
Accounts receivable - net (Notes 4 and 8)	32,842	1	11,260	-
Inventories (Notes 4, 5 and 9)	849,523	29	856,520	35
Prepayments and other current assets (Notes 4, 14 and 25)	20,230	1	60,566	3
Total current assets	2,179,733	73	1,601,440	66
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 25 and 27)	4,048	-	2,532	-
Investments accounted for using the equity method (Notes 4 and 10)	268,231	9	260,226	11
Property, plant and equipment (Notes 4, 11 and 27)	512,650	17	529,833	22
Right-of-use assets (Notes 4 and 12)	8,995	-	13,146	1
Intangible assets (Notes 4 and 13)	103	-	516	-
Deferred tax assets (Notes 4 and 21)	17,454	1	12,952	-
Other non-current assets (Notes 4, 14 and 17)	2,289	-	2,235	-
Total non-current assets	813,770	27	821,440	34
TOTAL	$ 2,993,503	100	$ 2,422,880	100

	2020		2019	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Note 19)	$ 15,940	-	$ 10,090	1
Accounts payable (Note 4)	116,620	4	121,909	5
Accounts payable to related parties (Notes 4 and 26)	154,167	5	134,387	6
Other payables to related parties (Notes 4 and 26)	7,873	-	6,310	-
Other current liabilities (Notes 4 and 16)	86,840	3	51,906	2
Current tax liabilities (Notes 4 and 21)	47,029	2	4,610	-
Lease liabilities - current (Notes 4 and 12)	4,168	-	4,127	-
Total current liabilities	432,637	14	333,339	14
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	350,000	12	-	-
Deferred income tax liabilities (Notes 4 and 21)	208	-	337	-
Lease liabilities - non-current (Notes 4 and 12)	4,916	-	9,084	-
Total non-current liabilities	355,124	12	9,421	-
Total liabilities	787,761	26	342,760	14
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
Ordinary shares	781,059	26	780,809	32
Capital surplus	1,131,714	38	1,131,702	47
Retained earnings				
Legal reserve	65,911	2	50,310	2
Special reserve	2,365	-	-	-
Unappropriated earnings	325,938	11	216,659	9
Other equity				
Exchange differences on translating the financial statements of foreign operations	(4,250)	-	(2,365)	-
Treasury shares	(96,995)	(3)	(96,995)	(4)
Total equity	2,205,742	74	2,080,120	86
TOTAL	$ 2,993,503	100	$ 2,422,880	100

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

SILICON OPTRONICS, INC.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 19)	$ 3,328,695	100	$ 2,294,110	100
OPERATING COSTS (Notes 9, 20 and 26)	2,656,485	80	1,836,579	80
GROSS PROFIT	672,210	20	457,531	20
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	18,080	1	16,693	1
General and administrative expenses	45,670	1	40,693	2
Research and development expenses	297,719	9	238,087	10
Total operating expenses	361,469	11	295,473	13
OPERATING INCOME	310,741	9	162,058	7
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	4,464	-	16,720	1
Other income (Note 20)	364	-	199	-
Other gains and losses (Note 20)	2,175	-	9,697	-
Finance costs (Note 20)	(2,708)	-	(154)	-
Share of income (loss) of subsidiaries (Notes 4 and 10)	9,890	1	(6,669)	-
Total non-operating income and expenses	14,185	1	19,793	1
PROFIT BEFORE INCOME TAX	324,926	10	181,851	8
INCOME TAX EXPENSE (Notes 4 and 21)	(43,488)	(2)	(25,841)	(1)
NET PROFIT FOR THE YEAR	281,438	8	156,010	7
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	19	-	962	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	(1,885)	-	(2,755)	-
Total other comprehensive loss	(1,866)	-	(1,793)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 279,572	8	$ 154,217	7
EARNINGS PER SHARE (Note 22)				
Basic	$ 3.65		$ 2.01	
Diluted	$ 3.64		$ 2.00	

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

SILICON OPTRONICS, INC.

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

	Ordinary Share Capital			Retained Earnings			Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2019	77,828	$ 778,279	$ 1,124,721	$ 34,567	$ 526	$ 230,859	$ 390	$ -	$ 2,169,342
Appropriation of 2018 earnings									
Legal reserve	-	-	-	15,743	-	(15,743)	-	-	-
Special reserve	-	-	-	-	(526)	526	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(155,955)	-	-	(155,955)
Net profit for the year ended December 31, 2019	-	-	-	-	-	156,010	-	-	156,010
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	962	(2,755)	-	(1,793)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	156,972	(2,755)	-	154,217
Issuance of ordinary shares under employee share options	253	2,530	6,981	-	-	-	-	-	9,511
Buy-back of ordinary shares	-	-	-	-	-	-	-	(96,995)	(96,995)
BALANCE, DECEMBER 31, 2019	78,081	780,809	1,131,702	50,310	-	216,659	(2,365)	(96,995)	2,080,120
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,601	-	(15,601)	-	-	-
Special reserve	-	-	-	-	2,365	(2,365)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(154,212)	-	-	(154,212)
Net profit for the year ended December 31, 2020	-	-	-	-	-	281,438	-	-	281,438
Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	-	19	(1,885)	-	(1,866)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	281,457	(1,885)	-	279,572
Issuance of ordinary shares under employee share options	25	250	12	-	-	-	-	-	262
BALANCE, DECEMBER 31, 2020	78,106	$ 781,059	$ 1,131,714	$ 65,911	$ 2,365	$ 325,938	$ (4,250)	$ (96,995)	$ 2,205,742

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

SILICON OPTRONICS, INC.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 324,926	$ 181,851
Adjustments for:		
Depreciation expenses	85,926	52,792
Amortization expenses	2,750	5,356
Finance costs	2,708	154
Interest income	(4,464)	(16,720)
Share of (profit) loss of subsidiaries	(9,890)	6,669
Write-downs of inventories	22,512	12,422
Net (gain) loss on foreign currency exchange	2,881	(9,697)
Changes in operating assets and liabilities		
Accounts receivable	(21,686)	47,790
Inventories	(15,515)	(174,521)
Prepayments and other current assets	40,336	(12,338)
Contract liabilities	5,832	4,202
Accounts payable	(6,902)	74,584
Accounts payable to related parties	18,213	10,071
Other payables to related parties	1,563	262
Accrued expenses and other current liabilities	37,236	1,887
Net defined benefit liabilities	(35)	(32)
Cash generated from operations	486,391	184,732
Income tax paid	(5,700)	(53,915)
Net cash generated from operating activities	480,691	130,817
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(671,516)	(140,132)
Proceeds from financial assets at amortized cost	50,012	830,225
Payments for property, plant and equipment	(66,739)	(530,837)
Decrease in refundable deposits	-	19
Payments for intangible assets	(2,337)	(2,563)
Interest received	4,464	16,720
Net cash (used in) generated from investing activities	(686,116)	173,432
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	350,000	-
Repayment of the principal portion of lease liabilities	(4,127)	(4,086)
Dividends paid	(154,212)	(155,955)
Exercise of employee share options	262	9,511
Payments for buy-back of ordinary shares	-	(96,995)
Interest paid	(2,708)	(154)
Net cash generated from (used in) financing activities	189,215	(247,679)

(Continued)

SILICON OPTRONICS, INC.

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

	2020	2019
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ 110	$ 6,143
NET INCREASE (DECREASE) IN CASH	(16,100)	62,713
CASH AT THE BEGINNING OF THE YEAR	534,484	471,771
CASH AT THE END OF THE YEAR	$ 518,384	$ 534,484

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SILICON OPTRONICS, INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the "Company") was incorporated in the Republic of China (ROC) on May 24, 2004 and commenced business on May 27, 2004. The Company's main business activities include the design, development and sale of complementary metal-oxide semiconductors.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 10, 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 Company's accounting policies:

1) Amendments to IFRS 3 "Definition of Business"

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

2) Amendments to IAS 1 and IAS 8 "Definition of Materiality"

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendment 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
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

1) Amendment to IAS 1 “Classification of liabilities as current or non-current”

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

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

2) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

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

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent company in the consolidated financial statements, the differences in the accounting treatments between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

At the time of the preparation of the parent company only financial statements, the assets and liabilities of the Company and its foreign operations (including subsidiaries operating in other countries or those using currencies which are different from the Company's functional currency) are converted into NT dollars at each balance sheet date. Income and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary refers to an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's share of other equity in the subsidiary are recognized based on its shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of loss in the subsidiary is equal to or exceeds its interest in the subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss according to the shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in 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 lives, residual values, and amortization methods 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, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized 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 Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized 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 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 category

Financial assets are classified as financial assets at amortized cost.

i. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables, time deposits with original maturities of more than 3 months and refundable deposits, 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 a financial asset, except for:

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

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

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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company 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.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

l. Leases

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

<u>The Company as lessee</u>

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Company 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 parent company only balance sheet.

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 comprises fixed payments. 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to theright-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets.

m. 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 or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

Retirement benefits

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

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

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

o. Share-based payment arrangements

Employee share options granted

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

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

p. 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Impairment of goodwill included in investments in subsidiaries

When determining whether the goodwill included in investments in subsidiaries is impaired, the goodwill acquired from a business combination is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination on the acquisition date, and the value in use of the cash generating unit to which goodwill has been allocated is estimated. In order to calculate the value in use, the management should estimate the future cash flows expected to arise from the cash-generating unit to which goodwill has been allocated and determine the appropriate discount rate for use in calculating the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 173	$ 175
Bank deposits	518,211	89,419
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	-	444,890
	$ 518,384	$ 534,484

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	December 31	
	2020	2019

Time deposits	-	0.65%-2.32%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	**2019**
Current		
Time deposits with original maturities of more than 3 months (a)	$ 758,754	$ 138,610
Non-current		
Pledged time deposits (a and c)	$ 4,048	$ 2,532

a. The interest rates ranges of time deposits with original maturities of more than 3 months were 0.08%-2.4% and 0.16%-2.8% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	December 31	
	2020	**2019**
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	$ 32,842	$ 11,260
Less: Allowance for impairment loss	-	-
	$ 32,842	$ 11,260

At amortized cost

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company 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 Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix:

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 16,224	$ 16,618	$ -	$ -	$ -	$ 32,842
Loss allowance (lifetime ECL)	-	-	-	-	-	-
Amortized cost	$ 16,224	$ 16,618	$ -	$ -	$ -	$ 32,842

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 10,648	$ 612	$ -	$ -	$ -	$ 11,260
Loss allowance (lifetime ECL)	-	-	-	-	-	-
Amortized cost	$ 10,648	$ 612	$ -	$ -	$ -	$ 11,260

The movements in the loss allowance of trade receivables was as follows:

	December 31	
	2020	2019
Balance at January 1	$ -	$ -
Add: Net remeasurement of loss allowance	-	1
Less: Amounts written off	-	(1)
Balance at December 31	$ -	$ -

9. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 170,650	$ 222,479
Work in progress	675,000	633,513
Raw materials	3,373	528
	$ 849,523	$ 856,520

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was $2,656,485 thousand and $1,836,579 thousand, respectively, which included inventory write-downs of $22,512 thousand and $12,422 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	December 31	
	2020	**2019**
NUEVA IMAGING, INC.	$ 243,371	$ 242,747
Silicon Optronics (Cayman) Co., Ltd.	24,860	17,479
	$ 268,231	$ 260,226

Name of subsidiary

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	**2019**
NUEVA IMAGING, INC.	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	100%	100%

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2020 and 2019 was recognized based on the subsidiaries' financial statements audited by the accountants for the same periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Leasehold improvement	Photomasks	Prepayment For Business Facilities	Total
Cost									
Balance at January 1, 2019	$ 4,120	$ -	$ 18,644	$ 1,431	$ 261	$ 204	$ 198,536	$ -	$ 223,196
Additions	-	-	5,508	-	-	-	51,744	472,972	530,224
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Balance at December 31, 2019	$ 1,158	$ -	$ 13,586	$ 155	$ 29	$ -	$ 96,810	$ 472,972	$ 584,710
Accumulated depreciation									
Balance at January 1, 2019	$ 3,409	$ -	$ 13,042	$ 1,289	$ 248	$ 204	$ 155,571	$ -	$ 173,763
Depreciation expense	345	-	3,697	52	6	-	44,541	-	48,641
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Balance at December 31, 2019	$ 792	$ -	$ 6,173	$ 65	$ 22	$ -	$ 46,642	$ -	$ 53,694
Accumulated impairment									
Balance at January 1, 2019 and December 31, 2019	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amount at December 31, 2019	$ 366	$ -	$ 6,230	$ 90	$ 7	$ -	$ 50,168	$ 472,972	$ 529,833

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Leasehold improvement	Photomasks	Prepayment For Business Facilities	Total
Cost									
Balance at January 1, 2020	$ 1,158	$ -	$ 13,586	$ 155	$ 29	$ -	$ 96,810	$ 472,972	$ 584,710
Additions	115	-	4,553	-	-	-	59,812	112	64,592
Disposal	-	-	(5,474)	-	-	-	(47,822)	-	(53,296)
Reclassified	-	473,084	-	-	-	-	-	(473,084)	-
Balance at December 31, 2020	$ 1,273	$ 473,084	$ 12,665	$ 155	$ 29	$ -	$ 108,800	$ -	$ 596,006
Accumulated depreciation									
Balance at January 1, 2020	$ 792	$ -	$ 6,173	$ 65	$ 22	$ -	$ 46,642	$ -	$ 53,694
Depreciation expense	243	21,026	3,944	51	6	-	56,505	-	81,775
Disposal	-	-	(5,494)	-	-	-	(47,822)	-	(53,296)
Balance at December 31, 2020	$ 1,035	$ 21,026	$ 4,643	$ 116	$ 28	$ -	$ 55,325	$ -	$ 82,173
Accumulated impairment									
Balance at January 1, 2020 and December 31, 2020	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amount at December 31, 2020	$ 238	$ 452,058	$ 6,839	$ 39	$ 1	$ -	$ 53,475	$ -	$ 512,650

(Concluded)

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

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Leasehold improvements	5-8 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 8,995	$ 13,146

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ -	$ -
Depreciation charge for right-of-use assets		
Buildings	$ 4,151	$ 4,151

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 4,168	$ 4,127
Non-current	$ 4,916	$ 9,084

The discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1%	1%

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

The Company did not have significant new lease contracts in 2020 and 2019. The Company leases buildings for the use of offices with lease terms of 3-4 years. The Company does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	December 31	
	2020	2019
Expenses relating to short-term leases	$ 505	$ 515
Expenses relating to low-value asset leases	$ 59	$ 55
Total cash outflow for leases	$ (4,804)	$ (4,810)

13. INTANGIBLE ASSETS

	Patents	Software	Total
Cost			
Balance at January 1, 2019	$ 45,659	$ 927	$ 46,586
Additions	-	2,563	2,563
Disposal	(45,659)	-	(45,659)
Balance at December 31, 2019	$ -	$ 3,490	$ 3,490
Accumulated amortization			
Balance at January 1, 2019	$ 43,071	$ 206	$ 43,277
Amortization expense	2,588	2,768	5,356
Disposal	(45,659)	-	(45,659)
Balance at December 31, 2019	$ -	$ 2,974	$ 2,974
Carrying amount at December 31, 2019	$ -	$ 516	$ 516

(Continued)

	Patents	Software	Total
Cost			
Balance at January 1, 2020	$ -	$ 3,490	$ 3,490
Additions	-	2,337	2,337
Disposal	-	-	-
Balance at December 31, 2020	$ -	$ 5,827	$ 5,827
Accumulated amortization			
Balance at January 1, 2020	$ -	$ 2,974	$ 2,974
Amortization expense	-	2,750	2,750
Disposal	-	-	-
Balance at December 31, 2020	$ -	$ 5,724	$ 5,724
Carrying amount at December 31, 2020	$ -	$ 103	$ 103

(Concluded)

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Company's other intangible assets for the years ended December 31, 2019 and 2020.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	7 years
Software	3 years

14. OTHER ASSETS

	December 31	
	2020	2019
Current		
Tax receivables	$ 18,054	$ 22,586
Prepaid technical service fees	1,124	21,363
Prepayment for purchases	-	5,968
Others	1,052	10,649
	$ 20,230	$ 60,566
Non-current		
Refundable deposits	$ 915	$ 915
Net defined benefit assets	1,374	1,320
	$ 2,289	$ 2,235

15. LONG-TERM BORROWINGS

	December 31	
	2020	2019
Secured borrowings (Note 27)		
Bank borrowings	$ 350,000	$ -

In the year ended December 31, 2020, the Company acquired new bank borrowing facilities in the amount of $350,000 thousand, with a floating interest rate of 0.987% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semi-annual installments starting from April 2022. The loan is to be repaid before April 1, 2025.

16. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Other payables		
Payables for employees' compensation	$ 28,570	$ 16,030
Payables for bonuses	21,623	13,787
Payable for processing	13,787	-
Payables for purchases of equipment	5,207	7,313
Payables for remuneration of directors	3,750	2,500
Others	13,769	12,152
	86,706	51,782
Other liabilities		
Receipts under custody	134	124
	$ 86,840	$ 51,906

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the parent company only balance sheets in respect of the Company's benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 285	$ 249
Fair value of plan assets	(1,659)	(1,569)
Net defined benefit assets	$ (1,374)	$ (1,320)

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
Balance at January 1, 2019	$ 1,149	$ (1,475)	$ (326)
Net interest expense (income)	11	(14)	(3)
Recognized in profit or loss	11	(14)	(3)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	8	-	8
Actuarial loss - experience adjustments	(919)	(51)	(970)
Recognized in other comprehensive loss (income)	(911)	(51)	(962)
Contributions from the employer	-	(29)	(29)
Balance at December 31, 2019	249	(1,569)	(1,320)
Net interest expense (income)	3	(13)	(10)
Recognized in profit or loss	3	(13)	(10)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	17	-	17
Actuarial loss - experience adjustments	16	(52)	(36)
Recognized in other comprehensive loss (income)	33	(52)	(19)
Contributions from the employer	-	(25)	(25)
Balance at December 31, 2020	$ 285	$ (1,659)	$ (1,374)

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 corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	December 31	
	2020	**2019**
Discount rate	0.4%	0.8%
Expected rate of salary increase	3.0%	3.0%

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

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (11)	$ (10)
0.25% decrease	$ 11	$ 11
Expected rate of salary increase/decrease		
0.25% increase	$ 10	$ 10
0.25% decrease	$ (10)	$ (9)

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

	December 31	
	2020	**2019**
Expected contributions to the plans for the next year	$ 22	$ 21
Average duration of the defined benefit obligation	16 years	17 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	**2019**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,106	78,081
Shares issued	$ 781,059	$ 780,809

A total of 6,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2020	2019

SILICON OPTRONICS, INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the "Company") was incorporated in the Republic of China ("ROC") on May 24, 2004 and commenced business on May 27, 2004. The Company's main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 10, 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 Company's accounting policies:

1) Amendments to IFRS 3 "Definition of Business"

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

2) Amendments to IAS 1 and IAS 8 "Definition of Materiality"

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

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

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

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendment 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
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

1) Amendment to IAS 1 "Classification of liabilities as current or non-current"

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

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

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

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

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent company in the consolidated financial statements, the differences in the accounting treatments between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

At the time of the preparation of the parent company only financial statements, the assets and liabilities of the Company and its foreign operations (including subsidiaries operating in other countries or those using currencies which are different from the Company's functional currency) are converted into NT dollars at each balance sheet date. Income and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary refers to an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's share of other equity in the subsidiary are recognized based on its shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of loss in the subsidiary is equal to or exceeds its interest in the subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss according to the shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in 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 lives, residual values, and amortization methods 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 asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized 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 Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized 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 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 category

Financial assets are classified as financial assets at amortized cost.

i. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposits with original maturities of more than 3 months and refundable deposits, 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 a financial asset, except for:

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

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

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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company 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.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

l. Leases

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

<u>The Company as lessee</u>

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Company 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 parent company only balance sheet.

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 comprises fixed payments. 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to theright-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets

m. 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 or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

Retirement benefits

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

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

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

o. Share-based payment arrangements

Employee share options granted

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

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

p. 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Impairment of goodwill included in investments in subsidiaries

When determining whether the goodwill included in investments in subsidiaries is impaired, the goodwill acquired from a business combination is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination on the acquisition date, and the value in use of the cash generating unit to which goodwill has been allocated is estimated. In order to calculate the value in use, the management should estimate the future cash flows expected to arise from the cash-generating unit of the goodwill has been allocated and determine the appropriate discount rate to use in calculating the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 173	$ 175
Bank deposits	518,211	89,419
Cash equivalents(investments with original maturities of 3 months or less)		
Time deposits	-	444,890
	$ 518,384	$ 534,484

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	December 31	
	2020	2019
Time deposits	-	0.65%-2.32%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Current		
Time deposit with original maturities of more than 3 months (a)	$ 758,754	$ 138,610
Non-current		
Pledged time deposits (a and c)	$ 4,048	$ 2,532

a. The interest rates ranges of time deposits with original maturities of more than 3 months were 0.08%-2.4% and 0.16%-2.8% per annum as of December 31, 2020 and 2019, respectively.

b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
Accounts receivable-unrelated parties		
At amortized cost		
Gross carrying amount	$ 32,842	$ 11,260
Less: Allowance for impairment loss	-	-
	$ 32,842	$ 11,260

At amortized cost

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company 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 Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 16,224	$ 16,618	$ -	$ -	$ -	$ 32,842
Loss allowance (lifetime ECL)	-	-	-	-	-	-
Amortized cost	$ 16,224	$ 16,618	$ -	$ -	$ -	$ 32,842

December 31, 2019

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 10,648	$ 612	$ -	$ -	$ -	$ 11,260
Loss allowance (lifetime ECL)	-	-	-	-	-	-
Amortized cost	$ 10,648	$ 612	$ -	$ -	$ -	$ 11,260

The movements in the loss allowance of trade receivables was as follows:

	December 31	
	2020	2019
Balance at January 1	$ -	$ -
Add: Net remeasurement of loss allowance	-	1
Less: Amounts written off	-	(1)
Balance at December 31	$ -	$ -

9. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 170,650	$ 222,479
Work in progress	675,000	633,513
Raw materials	3,373	528
	$ 849,523	$ 856,520

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was $2,656,485 thousand and $1,836,579 thousand, respectively, which included inventory write-downs of $22,512 thousand and $12,422 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	December 31	
	2020	2019
NUEVA IMAGING, INC.	$ 243,371	$ 242,747
Silicon Optronics (Cayman) Co., Ltd.	24,860	17,479
	$ 268,231	$ 260,226

Name of subsidiary

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
NUEVA IMAGING, INC.	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	100%	100%

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2020 and 2019 was recognized based on the subsidiaries' financial statements audited by the accountants for the same periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Leasehold improvement	Photomasks	Prepayment For Business Facilities	Total
Cost									
Balance at January 1, 2019	$ 4,120	$ -	$ 18,644	$ 1,431	$ 261	$ 204	$ 198,536	$ -	$ 223,196
Additions	-	-	5,508	-	-	-	51,744	472,972	530,224
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Balance at December 31, 2019	$ 1,158	$ -	$ 13,586	$ 155	$ 29	$ -	$ 96,810	$ 472,972	$ 584,710
Accumulated depreciation									
Balance at January 1, 2019	$ 3,409	$ -	$ 13,042	$ 1,289	$ 248	$ 204	$ 155,571	$ -	$ 173,763
Depreciation expense	345	-	3,697	52	6	-	44,541	-	48,641
Disposal	(2,962)	-	(10,566)	(1,276)	(232)	(204)	(153,470)	-	(168,710)
Balance at December 31, 2019	$ 792	$ -	$ 6,173	$ 65	$ 22	$ -	$ 46,642	$ -	$ 53,694
Accumulated impairment									
Balance at January 1, 2019 and December 31, 2019	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2019	$ 366	$ -	$ 6,230	$ 90	$ 7	$ -	$ 50,168	$ 472,972	$ 529,833

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Leasehold improvement	Photomasks	Prepayment For Business Facilities	Total
Cost									
Balance at January 1, 2020	$ 1,158	$ -	$ 13,586	$ 155	$ 29	$ -	$ 96,810	$ 472,972	$ 584,710
Additions	115	-	4,553	-	-	-	59,812	112	64,592
Disposal	-	-	(5,474)	-	-	-	(47,822)	-	(53,296)
Reclassified	-	473,084	-	-	-	-	-	(473,084)	-
Balance at December 31, 2020	$ 1,273	$ 473,084	$ 12,665	$ 155	$ 29	$ -	$ 108,800	$ -	$ 596,006
Accumulated depreciation									
Balance at January 1, 2020	$ 792	$ -	$ 6,173	$ 65	$ 22	$ -	$ 46,642	$ -	$ 53,694
Depreciation expense	243	21,026	3,944	51	6	-	56,505	-	81,775
Disposal	-	-	(5,494)	-	-	-	(47,822)	-	(53,296)
Balance at December 31, 2020	$ 1,035	$ 21,026	$ 4,643	$ 116	$ 28	$ -	$ 55,325	$ -	$ 82,173
Accumulated impairment									
Balance at January 1, 2020 and December 31, 2020	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2020	$ 238	$ 452,058	$ 6,839	$ 39	$ 1	$ -	$ 53,475	$ -	$ 512,650

(Concluded)

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

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Leasehold improvements	5-8 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	$ 8,995	$ 13,146

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ -	$ -
Depreciation charge for right-of-use assets		
Buildings	$ 4,151	$ 4,151

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 4,168	$ 4,127
Non-current	$ 4,916	$ 9,084

The discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1%	1%

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

The Company did not have significant new lease contracts in 2020 and 2019. The Company leases buildings for the use of offices with lease terms of 3-4 years. The Company does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	December 31	
	2020	2019
Expenses relating to short-term leases	$ 505	$ 515
Expenses relating to low-value asset leases	$ 59	$ 55
Total cash outflow for leases	$ (4,804)	$ (4,810)

13. INTANGIBLE ASSETS

	Patents	Software	Total
Cost			
Balance at January 1, 2019	$ 45,659	$ 927	$ 46,586
Additions	-	2,563	2,563
Disposal	(45,659)	-	(45,659)
Balance at December 31, 2019	$ -	$ 3,490	$ 3,490
Accumulated amortization			
Balance at January 1, 2019	$ 43,071	$ 206	$ 43,277
Amortization expense	2,588	2,768	5,356
Disposal	(45,659)	-	(45,659)
Balance at December 31, 2019	$ -	$ 2,974	$ 2,974
Carrying amounts at December 31, 2019	$ -	$ 516	$ 516

(Continued)

	Patents	Software	Total
Cost			
Balance at January 1, 2020	$ -	$ 3,490	$ 3,490
Additions	-	2,337	2,337
Disposal	-	-	-
Balance at December 31, 2020	$ -	$ 5,827	$ 5,827
Accumulated amortization			
Balance at January 1, 2020	$ -	$ 2,974	$ 2,974
Amortization expense	-	2,750	2,750
Disposal	-	-	-
Balance at December 31, 2020	$ -	$ 5,724	$ 5,724
Carrying amounts at December 31, 2020	$ -	$ 103	$ 103

(Concluded)

Except for the recognition of amortization expense, there were no significant addition, disposal and impairment of the Company's other intangible assets for the year ended December 31, 2019 and 2020.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	7 years
Software	3 years

14. OTHER ASSETS

	December 31	
	2020	2019
Current		
Tax receivables	$ 18,054	$ 22,586
Prepaid technical service fees	1,124	21,363
Prepayment for purchases	-	5,968
Others	1,052	10,649
	$ 20,230	$ 60,566
Non-current		
Refundable deposits	$ 915	$ 915
Net defined benefit assets	1,374	1,320
	$ 2,289	$ 2,235

15. LONG-TERM BORROWINGS

	December 31	
	2020	2019
Secured borrowings (Note 27)		
Bank borrowing	$ 350,000	$ -

In the year ended December 31, 2020, the Company acquired new bank borrowing facilities in the amount of $350,000 thousand, with a floating interest rate of 0.987% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semi-annual installments starting from April 2022. The loan is to be repaid before April 1, 2025.

16. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Other payables		
Payables for employees' compensation	$ 28,570	$ 16,030
Payables for bonuses	21,623	13,787
Payable for processing	13,787	-
Payables for purchases of equipment	5,207	7,313
Payables for remuneration of directors	3,750	2,500
Others	13,769	12,152
	86,706	51,782
Other liabilities		
Receipts under custody	134	124
	$ 86,840	$ 51,906

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the parent company only balance sheets in respect of the Company's benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 285	$ 249
Fair value of plan assets	(1,659)	(1,569)
Net defined benefit assets	$ (1,374)	$ (1,320)

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
Balance at January 1, 2019	$ 1,149	$ (1,475)	$ (326)
Net interest expense (income)	11	(14)	(3)
Recognized in profit or loss	11	(14)	(3)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	8	-	8
Actuarial loss - experience adjustments	(919)	(51)	(970)
Recognized in other comprehensive loss (income)	(911)	(51)	(962)
Contributions from the employer	-	(29)	(29)
Balance at December 31, 2019	249	(1,569)	(1,320)
Net interest expense (income)	3	(13)	(10)
Recognized in profit or loss	3	(13)	(10)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	17	-	17
Actuarial loss - experience adjustments	16	(52)	(36)
Recognized in other comprehensive loss (income)	33	(52)	(19)
Contributions from the employer	-	(25)	(25)
Balance at December 31, 2020	$ 285	$ (1,659)	$ (1,374)

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 corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	December 31	
	2020	**2019**
Discount rate	0.4%	0.8%
Expected rate of salary increase	3.0%	3.0%

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

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (11)	$ (10)
0.25% decrease	$ 11	$ 11
Expected rate of salary increase/decrease		
0.25% increase	$ 10	$ 10
0.25% decrease	$ (10)	$ (9)

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

	December 31	
	2020	**2019**
Expected contributions to the plans for the next year	$ 22	$ 21
Average duration of the defined benefit obligation	16 years	17 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	**2019**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,106	78,081
Shares issued	$ 781,059	$ 780,809

A total of 6,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31 2020	December 31 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 1,114,427	$ 1,114,415
May be used to offset a deficit only		
Arising from exercise of employee share options	12,269	12,158
May not be used for any purpose		
Arising from employee share options	5,018	5,129
	$ 1,131,714	$ 1,131,702

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).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Total
Balance at January 1, 2019	$ 1,107,434	$ 17,287	$ 1,124,721
Issuance of ordinary shares under employee share options	6,981	-	6,981
Balance at December 31, 2019	1,114,415	17,287	1,131,702
Issuance of ordinary shares under employee share options	12	-	12
Balance at December 31, 2020	$ 1,114,427	$ 17,287	$ 1,131,714

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the Company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 which had been approved in the shareholders in their meetings on June 16, 2020 and June 18, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	$ 15,601	$ 15,743
Special reserve	2,365	(526)
Cash dividends	154,212	155,955
Dividends per share	$ 2.0	$ 2.0

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 10, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 28,146
Special reserve	1,885
Cash dividends	215,897
Dividends per share	$ 2.8

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' in their meeting to be held on June 16, 2021.

d. Other equity items

	For the Year Ended December 31	
	2020	2019
Balance, beginning of year	$ (2,365)	$ 390
Exchange differences on translation of the financial statements of foreign operations	(1,885)	(2,755)
Balance, end of year	$ (4,250)	$ (2,365)

e. Treasury shares

	For the Year Ended December 31	
	2020	2019
Treasury shares (in thousands of shares)	1,000	1,000

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT$53 to NT$115 per share.

In October 2019, the Company completed the repurchase of 1,000 thousand shares for $96,995 thousand.

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2019	-
Increase during the year	1,000
Number of shares at December 31, 2019	1,000

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

19. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	$ 3,249,068	$ 2,245,120
Others	79,627	48,990
	$ 3,328,695	$ 2,294,110

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2018
Accounts receivable (Note 8)	$ 32,842	$ 11,260	$ 59,182
Contract liabilities - current			
Sale of goods	$ 15,940	$ 10,090	$ 6,012

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

	For the Year Ended December 31	
	2020	2019
From the contract liabilities at the beginning of the year		
Sale of goods	$ 7,408	$ 3,508

b. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
Primary geographical markets		
Hong Kong	$ 3,007,489	$ 2,072,482
United States of America	99,883	78,194
Taiwan (the Company's operating location)	87,107	85,466
Others	134,216	57,968
	$ 3,328,695	$ 2,294,110
Major goods		
CMOS	$ 3,237,207	$ 2,226,729
Other	91,488	67,381
	$ 3,328,695	$ 2,294,110

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 2,925	$ 14,658
Financial asset at amortized cost	1,531	2,053
Others	8	9
	$ 4,464	$ 16,720

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	$ 364	$ 199

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gain	$ 2,179	$ 9,708
Other expenses	(4)	(11)
	$ 2,175	$ 9,697

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 2,595	$ -
Interest on bank loans	113	154
	$ 2,708	$ 154

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 81,775	$ 48,641
Right-of-use assets	4,151	4,151
Intangible assets	2,750	5,356
Total	$ 88,676	$ 58,148
An analysis of depreciation by function		
Operating costs	$ 20,038	$ 13,699
Operating expenses	65,888	39,093
	$ 85,926	$ 52,792
An analysis of amortization by function		
Research and development expenses	$ 2,750	$ 5,356

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	$ 3,097	$ 3,103
Defined benefit plans	(10)	(3)
	3,087	3,100
Other employee benefits	124,038	98,652
Total employee benefits expense	$ 127,125	$ 101,752
An analysis of employee benefits expense by function		
Operating expenses	$ 127,125	$ 101,752

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25% and remuneration of directors and supervisors at a rate of no higher than 3%. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 were resolved in the board of directors' meetings on March 10, 2021 and March 17, 2020, respectively.

Accrual rate

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	8%	8%
Remuneration of directors and supervisors	1%	2%

Amount

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation	$ 28,570	$ 16,030
Remuneration of directors and supervisors	3,750	2,500

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

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

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2020	**2019**
Current tax		
In respect of the current year	$ 47,347	$ 27,927
Adjustments for prior years	772	103
	48,119	28,030
Deferred tax		
In respect of the current year	(4,631)	(2,189)
Income tax expense recognized in profit or loss	$ 43,488	$ 25,841

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	$ 324,926	$ 181,151
Income tax expense calculated at the statutory rate	$ 64,985	$ 36,370
Nondeductible expenses in determining taxable income	(1,978)	1,336
Unrecognized deductible temporary differences	4,631	2,189
Investment credits of the current year	(20,291)	(11,968)
Deferred tax		
Temporary differences	(4,631)	(2,189)
Adjustments for prior years' tax	772	103
Income tax expense recognized in profit or loss	$ 43,488	$ 25,841

b. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 47,029	$ 4,610

c. 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	Closing Balance
Deferred tax assets			
Allowance for impairment loss	$ 12,952	$ 4,502	$ 17,454
Deferred tax liabilities			
Gain on foreign currency exchange	$ 337	$ (129)	$ 208

For the Year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Allowance for impairment loss	$ 10,467	$ 2,485	$ 12,952
Deferred tax liabilities			
Gain on foreign currency exchange	$ 41	$ 296	$ 337

d. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	**2019**
Basic earnings per share	$ 3.65	$ 2.01
Diluted earnings per share	$ 3.64	$ 2.00

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Earnings used in the computation of basic earnings per share	$ 281,438	$ 156,010
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	$ 281,438	$ 156,010

Number of shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,105	77,718
Effect of potentially dilutive ordinary shares:		
Employee share options	1	54
Bonuses issued to employees	278	204
Weighted average number of ordinary shares used in the computation of diluted earnings per share	77,384	77,976

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2013. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share options is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

	2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
For the year ended December 31, 2019				
Balance at January 1	288	$ 41.49	805	$ 16.34
Options exercised	(188)	46.00	(65)	13.27
Options expired	-	-	(110)	12.55
Balance at December 31	100	33.00	630	17.31
Options exercisable, end of period	100		630	
For the year ended December 31, 2020				
Balance at January 1	100	$ 33.00	630	$ 17.31
Options exercised	-	-	(25)	10.50
Balance at December 31	100	33.00	605	17.17
Options exercisable, end of period	100		605	

Information on outstanding options as follows:

December 31, 2020			December 31, 2019		
Share Option Plan	Range of Exercise Price(NT$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price(NT$)	Weighted-average Remaining Contractual Life (In Years)
2013 Employee share option plan	$ 32.21-33.00	2.62	2013 Employee share option plan	$ 33.0-46.00	3.62
2012 Employee share option plan	10.25-19.03	1.82	2012 Employee share option plan	10.50-19.50	2.81

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on June 10, 2014, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$13.55
Exercise price (NT$)	$46.00
Expected volatility	33.73%-37.88%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.68%-1.12%
Fair value of stock options	0.05-0.55

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on August 13, 2013, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$11.18
Exercise price (NT$)	$33.00
Expected volatility	37.60%-41.65%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.82%1.07%
Fair value of stock options	0.18-0.93

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on November 13, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$12.29
Exercise price (NT$)	$19.50
Expected volatility	44.34%-54.56%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.75%-0.85%
Fair value of stock options	1.67-3.94

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on May 25, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT$)	$10.10
Exercise price (NT$)	$10.50
Expected volatility	46.76%-47.19%
Expected life	6-7 years
Expected dividend yield	-
Risk-free interest rate	1.09%-1.15%
Fair value of stock options	4.45-4.81

24. CAPITAL MANAGEMENT

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

Key management personnel of the Company review the capital structure on a annual 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 Company may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

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

25. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2020	**2019**
Financial assets		
Financial assets at amortized cost (Note 1)	$ 1,314,943	$ 687,801
Financial liabilities		
Amortized cost (Note 2)	647,654	269,919

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposit and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), other payables (including related parties), and long-term debt.

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The Company has foreign currency sales and purchases, which expose the Company to foreign currency risk. Approximately 97% of the Company's sales is denominated in currencies other than the functional currency of the Company, whilst almost 96% of costs is denominated in the Company's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by $285 thousand and $(500) thousand, respectively.

b) Interest rate risk

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

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 762,802	$ 586,032
Cash flow interest rate risk		
Financial assets	518,201	89,409
Financial liabilities	350,000	-

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date.

If interest rates had been 0.5% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $841 thousand and $447 thousand, respectively.

2) Credit risk management

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

The Company transacts with a large number of unrelated customers; thus, no concentration of credit risk was observed.

3) Liquidity risk

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

Bank borrowings are significant sources of liquidity for the Company. For the Company's unutilized financing facilities, please refer to (2) Financing facilities below.

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

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	$ 353	$ 707	$ 3,180	$ 4,947
Accounts payable	95,205	21,415	-	-
Accounts payable - related parties	132,384	21,783	-	-
Other payables - related parties	7,873	-	-	-
Payables on processing	-	13,787	-	-
Payables on equipment	2,771	2,436	-	-
Long-term borrowings	288	576	2,591	356,333
	$ 238,874	$ 60,704	$ 5,771	$ 361,280

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	$ 353	$ 707	$ 3,180	$ 9,187
Accounts payable	94,917	26,992	-	-
Accounts payable - related parties	132,521	1,866	-	-
Other payables - related parties	6,310	-	-	-
Payables on equipment	2,494	4,819	-	-
	$ 236,595	$ 34,384	$ 3,180	$ 9,187

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ -	$ -
Amount unused	200,000	200,000
	$ 200,000	$ 200,000
Secured bank overdraft facilities:		
Amount used	$ 350,000	$ -
Amount unused	250,000	500,000
	$ 600,000	$ 500,000

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Silicon Optronics (Shanghai) Co., Ltd.	Subsidiaries
NUEVA IMAGING, INC.	Subsidiaries
Powerchip Technology Corp.	Substantive related parties
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties

b. Purchases

Related Party Category	For the Year Ended December 31 2020	2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 1,473,297	$ 1,032,202
Powerchip Technology Corp.	-	239,460
	$ 1,473,297	$ 1,271,662

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

c. Research and development expenses

Related Party Category	December 31 2020	2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 4,702	$ 47
Powerchip Technology Corp.	-	379
	$ 4,702	$ 426

d. Technical service expense

Related Party Category	December 31 2020	2019
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	$ 71,022	$ 59,908
NUEVA IMAGING, INC.	38,501	43,281
	$ 109,523	$ 103,189

The technical service contracts between the Company and its related parties are based on the prices and terms agreed upon by both parties, therefore no other appropriate transaction counterparties are available for comparison.

e. Prepayments and other current assets

Related Party Category	December 31 2020	2019
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	$ -	$ 21,363

f. Account payable to related parties

Related Party Category	December 31 2020	December 31 2019
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	$ 154,167	$ 134,387

g. Other payables to related parties

Related Party Category	December 31 2020	December 31 2019
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	$ 4,909	$ 3,797
NUEVA IMAGING, INC.	2,964	2,513
	$ 7,873	$ 6,310

h. Other transactions with related parties

The Company signed a joint development contract with Powerchip Semiconductor Manufacturing Co., Ltd. According to the contract, the Company will provide some machinery and equipment for the purpose of research and development.

i. Remuneration of key management personnel

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Short-term employee benefits	$ 7,470	$ 8,208

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	December 31 2020	December 31 2019
Property, plant and equipment - R&D equipment	$ 452,058	$ -
Pledged time deposits (classified as financial assets at amortized cost-noncurrent)	4,048	2,532
	$ 456,106	$ 2,532

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the 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	$ 11,019	28.48 (USD:NTD)	$ 313,810
CNY	2,237	4.377 (RMB:NTD)	9,792
			$ 323,602
Financial liabilities			
Monetary items			
USD	10,019	28.48 (USD:NTD)	$ 285,331

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,033	29.98 (USD:NTD)	$ 210,863
CNY	2,179	4.305 (RMB:NTD)	9,382
			$ 220,245
Financial liabilities			
Monetary items			
USD	8,702	29.98 (USD:NTD)	$ 260,886

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.48 (USD:NTD)	$ 1,430	29.98 (USD:NTD)	$ 2,237
RMB	4.377 (CNY:NTD)	(390)	4.305 (CNY:NTD)	(551)
		$ 1,040		$ 1,686

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

   1) Financing provided to others: None;

   2) Endorsements/guarantees provided: None;

   3) Marketable securities held (excluding investments in subsidiaries): 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) Acquisition 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 of at least NT$100 million or 20% of the paid-in capital: Please see Table 1 attached;

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

   9) Information about the derivative instruments transaction: None;

b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 2 attached;

c. Information on investments in mainland China: Please see Table 3 attached.

d. Information on major shareholders: The name, amount and proportion of shareholders with a shareholding ratio of 5% or more: Please see Table 4 attached.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Silicon Optronics, Inc.	Powerchip Semiconductor Manufacturing Corp.	Substantive related parties	Purchase	$ 1,473,297	57	Note	$ -	-	$ (154,167)	57	-

Note: Mainly paid on the 30th days after the month of the invoice date.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development design of high order CMOS Image Sensor	$ 358,500	$ 358,500	6,000	100	$ 243,371	$ 2,941	$ 2,941	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	24,860	6,949	6,949	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital (US$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (US$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (US$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment (%)	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Scale Integration and design of related electronic products, R&D and testing and technical service consulting and transfer of finished products.	US$ 175 thousand	Note 1	$ 4,984 (US$ 175) thousand	$ -	$ -	$ 4,984 (US$ 175) thousand	$ 6,949	100	$ 6,949	$ 24,860	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (US$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US$ in Thousands)
$ 4,984 (US$ 175) thousand	Note 1	$ 1,323,445

Note 1: Through Silicon Optronics (Cayman) Co., Ltd. investment Silicon Optronics (Shanghai) Co., Ltd., the Amount of Investment Stipulated was approved by Investment Commission, MOEA approved investment amount US$175. (US$ in Thousands)

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2020.

TABLE 4

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	18,676,413	23.91
Samoa Full Guest Investment Limited	4,875,458	6.24
Xiao Dong Luo	4,583,587	5.86

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

VI. The effect of insolvency of the company and affiliates on the financial Status of the Company: None.

Chapter 7 Review of Financial Status, Operating Results, and Risk Management

I. Financial Position

Major reasons for material changes in assets, liabilities and shareholders' equity, as well as related effects in the most recent two fiscal years, and response measures in the future if such effects are significant.

(I) Analysis of changes in financial positions for the most recent two years:

Unit: NT$ thousands; %

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	2,250,146	1,651,853	598,293	36.22
Property, plant and equipment	513,112	530,417	(17,305)	(3.26)
Intangible assets	207,012	211,280	(4,268)	(2.02)
Other assets	41,748	43,002	(1,254)	(2.92)
Total assets	3,012,018	2,436,552	575,466	23.62
Current Liability	446,595	339,054	107,541	31.72
Non-current liabilities	359,681	17,378	342,303	1,969.75
Total liabilities	806,276	356,432	449,844	126.21
Ordinary shares	781,059	780,809	250	0.03
Capital surplus	1,131,714	1,131,702	12	-
Retained earnings	394,214	266,969	127,245	47.66
Other equity	(4,250)	(2,365)	(1,885)	79.70
Treasury stocks	(96,995)	(96,995)	(96,995)	-
Non-controlling interest	-	-	-	-
Total equity	2,205,742	2,080,120	125,622	6.04

Reasons for changes in the two periods:

1. Increase in current assets: mainly due to increased financial assets at amortized cost in the current period.
2. Increase in current liabilities: due to increased other current liabilities and current income tax liabilities.
3. Increase in retained earnings: mainly due to et profit increased significantly this year
4. Increase in other equity: mainly due to increase in exchange difference from the financial statements of foreign operations.

(II) Impact of changes in the financial status for the most recent two fiscal years: None.

(III) Future response plans: Not applicable.

II. Financial Performance

The main reasons for the material changes in operating revenues, operating profit and net profit before tax in the most recent two years, a sales volume forecast and the basis therefor, and the possible impact on the Company's financial operations, and response plans:

(I) Analysis of changes in operating results for the most recent two years:

Unit: NT$ thousands; %

Item \ Year	2020	2019	Amount of increase/decrease	Change (%)
Operating revenue	3,328,695	2,294,110	1,034,585	45.10
Gross Profit	672,210	457,531	214,679	46.92
Operating Income	321,577	156,051	165,526	106.07
Non-operating revenue and expenses	5,662	26,059	(20,397)	(78.27)
Profit before income tax	327,239	182,110	145,129	79.69
Earnings from continuing operations	281,438	156,010	125,428	80.40
Income from discontinued operations	-	-	-	-
Net income	281,438	156,010	125,428	80.40
Other comprehensive income (loss)	(1,866)	(1,793)	(73)	4.07
Total comprehensive income	279,572	154,217	125,355	81.28
Net income attributable to shareholders of the parent	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-
Earnings Per Share (NT$)	3.65	2.01	1.64	81.59
Reasons for changes in the two periods: 1. Increase in operating revenues: due to strong market demand in the second half of 2020. 2. Increase in gross profit: due to substantial increase in revenue. 3. Increase in operating profit: due to the increase in gross profit in 2020. 4. Decrease in non-operating expenses: due to the decrease in interest income and foreign exchange benefit in 2020. 5. Increase in net profit for the period and consolidated net profit for the period: due to the increase in gross profit for 2020 and the increase in overall profit.				

(II) Expected sales volume and its possible impact on the Company's future financial operations:

Expected sales volumes and revenue growth are of great help for future profitability.

(III) Future response plans: Actively develop new products and markets.

III. Cash Flows

Analysis of cash flow changes during the most recent fiscal year, improvement plan for liquidity and provide a liquidity analysis for the coming year:

(I) Analysis of changes in cash flow for the most recent year is as follows:

Unit: NT$ thousands; %

Item \ Year	2020	2019	Change (%)
Cash flow ratio	113.65	38.01	199.00
Cash flow adequacy ratio	54.79	30.06	82.27
Cash reinvestment ratio	14.69	(1.42)	1,134.51
Analysis of the changes in cash flow: 1. Decrease in cash flow adequacy ratio: mainly due to the increase in net cash flow from operating activities resulted from a decrease in inventory.			

(II) Improvement plans for cash inadequacy: There is no concerns about liquidity and shortage of cash.

(III) Cash liquidity analysis for the coming fiscal year.

Unit: NT$ thousand

Cash and cash equivalents at beginning of year A	Projected net cash flow from operating activities for the year B	Projected cash outflow for the year C	Expected cash surplus (inadequacy) amount A+B-C	Remedial measures for cash inadequacy	
				Investment plans	Financial plans
547,597	840,968	(244,853)	1,143,712	-	-
Analysis of the changes in cash flow: 1. Operating activities: due to projected revenue growth. 2. Investment activities: capital expenditure, etc. 3. Financing activities: payment for cash dividends					

IV. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company：Not application.

V. Direct Investment Policy, Reasons for Profit or Loss, Correction Plan and Investment Plan for the Coming Year: None.

VI. Risk Management

(I) The impact of interest rate fluctuations, exchange rate fluctuations, and inflation on the Company's earnings and coping strategies

1. Interest rate:

The Company estimates that there is no NT dollar or foreign currency borrowing demand in the upcoming fiscal year, so there is no need to evade the risk of interest expenses arising from interest rate hikes. The Company has appropriate funding channels to meet the needs of business development and maintain good relationship with each correspondent bank. The Company will consider the available facilities from various sources of capital and their cost of capital, as well as making a comprehensive consideration for the business development plans, so as to raise the required funds. Therefore, the impact on the Company's profit and loss is not significant.

2. Foreign exchange rates:
   As the Company's receivables and payables are mainly denominated in foreign currency (US dollars), the exchange rate risk caused by exchange rate fluctuations can be largely avoided. However, depending on the trend of the global economy as a whole, appropriate measures should be taken to avoid the risk of foreign currency fluctuations.
3. Inflation:
   The impact of inflation does not currently have a significant impact on the Company's profits and business operations. If the Company's purchase cost is affected by inflation, the incremental cost can be marked up on to the sales price, so inflation has no significant effect on the Company's profit and loss.

(II) High leverage/high risk investment, loans to third parties, endorsements and guarantees, and policies in derivatives transactions, reasons for profits/losses and coping strategies

The Company currently does not engage in high-risk, high-leveraged investments, lending or endorsement guarantees, and derivative transactions. The Company has established the "Procedures Governing the Acquisition and Disposal of Assets", "Procedures Governing Making of Endorsements and Guarantees" and "Procedures Governing Loaning of Funds to Other Parties" to regulate the transactions of high-risk, high-leveraged investments, loaning of funds to other parties, endorsements and guarantees, and derivatives trading in accordance with relevant laws and regulations.

(III) Future Development Plan and Expected R&D Expenditure

(1) Future R&D plans

The Company's most important core technology is the development of CMOS image sensor related sensing circuits, analog, digital and mixed signals, from circuit design, process technology, to optical simulation, etc., providing customers with the best solution and exclusive design and process for customer needs. Developing CMOS image sensor for special applications in combination with high-precision processing technology in Taiwan's semiconductor industry; the future R&D plans include:

A. High-performance CMOS Image Sensor.
B. High-resolution CMOS Image Sensor.
C. Global Shutter CMOS Image Sensor.
D. Low Power Consumption CMOS Image Sensor.
E. Design and development of sensors for special applications.

(2) Estimated R&D expenditure

The R&D expenses that the Company expects to invest in the future will be listed according to the Company's internal research plans, and depending on the research and development progress, the technology involved, and the staged results, the R&D expenses budget will be increased or decreased after discussion at the Company's internal supervisory meetings.

(IV) Potential Impact associated with Domestic or International Political/Regulatory Changes and the Response Measures

The Company's daily operations are handled in accordance with the relevant domestic and foreign laws and regulations, and at any time pay attention to the development trend of domestic and foreign policies and changes in regulations and collect relevant information to provide operational decision-making reference to adjust the Company's relevant operational strategies. As of now, the Company's financial operation has not been affected by important changes of domestic and foreign policies and laws.

(V) Potential Impact associated with Domestic or International Industry/Technology Evolution and the Response Measures

Through the close strategic cooperation with suppliers in the past, and the Company's own research and development capabilities, the Company can quickly grasp the industry dynamics and obtain market information ahead of its peers. Therefore, technological and industrial changes have a positive impact on the Company.

The Company's main products have been widely accepted by customers, and market demand continues to expand. The Company also actively enhances research and development capabilities and strengthens outsourcing capacity, and grasps industry dynamics and the market information, adopting a robust financial management strategy to maintain market competitiveness.

In the future, the Company will continue to pay attention to the situation of technological changes and evaluate its impact on the operations of the Company, and adjust the Company's business development and financial status accordingly.

(VI) Potential Impact on Crisis Management associated with Changes in Corporate Image and the Response Measures

Since its incorporation, the Company has been committed to maintaining its corporate image and complying with the laws and regulations, and there has not been enough to affect the corporate image so far. In the future, while pursuing revenue growth and maximizing shareholders' equity, the Company will also comply with the government regulations and fulfill corporate social responsibility to continuously maintain good corporate image of the Company.

(VII) Potential Impact associated with Mergers/Acquisitions and the Response Measures: Not applicable.

(VIII) Potential Impact associated with Capacity Expansion and the Response Measures: Not applicable.

(IX) Risks of purchasing and sales concentration and coping strategies

1. Procurement

   The Company is a fabless professional IC design company, the main purchase project is wafer procurement. In the value chain of the semiconductor industry, IC design houses tend to maintain long-term cooperation with specific foundries in order to achieve reliable and stable production capacity, as well as factors such as process technology, yield, capacity and delivery. This is a common phenomenon among IC design houses. The Company has been in good relationship with Powerchip / PTC and B Company for many years. The relationship between the two parties is good. In the future, we will continue to cooperate on fields such as new product development and mass production in order to reduce the risk of concentrated purchase.

2. Turnover

   The Company's main sales market and end-users are both in mainland China. Mainland China has a vast territory, and there are differences in business activities and trading habits. The Company evaluates the market characteristics and connections of dealers, and has the service experience of end-product applications. It can quickly serve end-customers and develop new markets. The Company fully grasps the operation of the dealers, and adopts the advance payment as the dealer's payment terms to increase the working capital turnover rate and reduce the overdue risk of accounts receivable in mainland China. The Company's technical support directly serves the end customers, keeps abreast of customer needs, and reduce the risk that sales of goods will be concentrated in the dealers. At the same time, with the introduction of future image sequencing wafers and other related image sensing chip products, the product sales and operation scale will be expanded, and the concentration of customers should be reduced in the future.

(X) The impact and risk of the transfer of shares in huge volumes by Directors, Supervisors,or major shareholders on the Company, and the Coping Strategies: None.

(XI) The impact and risk of change in management on the Company, and the measures to cope with: None.

(XII) Risks Associated with Litigations

1. Material litigious, non-litigious or administrative disputes that are currently still open: None.
2. The Company's Directors, Supervisors, Presidents, substantive Directors, shareholders holding more than 10% of the shares and subordinate companies have decided to determine or are still in the system of material litigation, non-litigation or administrative litigation. The result may have a significant influence on shareholders' equity or securities prices: None.

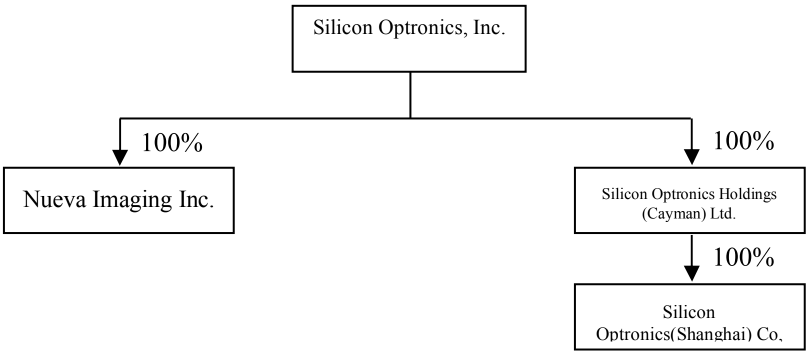
(XIII) Other material risks: None.

VII. Other Important Notices: None.

Chapter 8 Special Notes

I. Information Regarding Affiliated Companies

(I) Structure of affiliated enterprises



(II) Basic information of related companies:

Unit: US$

with the Issuer	Date of Incorporation	Address	Actual Paid-in Capital	Main Business Projects
Nueva Imaging Inc.	2010.05.27	4030 Moorpark Ave Ste 248 San Jose, CA95117 U.S.A	600	R&D design of high-end CMOS Image Sensor products
Silicon Optronics Holdings (Cayman) Ltd.	2013.04.26	4F, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103	177,550	Investment holding
Silicon Optronics(Shanghai) Co, Ltd.	2013.12.25	Room 603, Building 1, No.2966 Jinke Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai	175,000	Design development of integrated circuit and related electronic products and testing along with technical service consulting and transfer of research and development results

(III) The Shareholders in Common of Companies Presumed to have a Relationship of Control and Subordination: Please refer to paragraph (II).

(IV) The industry covered by the related companies: Please refer to Paragraph (2).

(V) Information on Directors, Supervisors, Managerial Officers, and Managerial Officers

Name of Company	Title	Name or representative	Shareholding (shares)	Shareholding Ratio
Nueva Imaging Inc.	Chairman of the Board	Silicon Optronics, Inc. (Representative: James He)	6,000,000	100%
Silicon Optronics Holdings (Cayman) Ltd.	Chairman of the Board	Silicon Optronics, Inc. (Representative: James He)	170,000	100%
Silicon Optronics(Shanghai) Co, Ltd.	Executive Director Supervisors	Silicon Optronics, Inc. (Representative: Terry Li) Silicon Optronics, Inc. (Representative: Steffi Huang)	175,000	100%

(VI)Operating status of each related company:

12/31/2020 Unit: NT$ thousand

Name of Company	Capital	Total assets	Total liabilities	Per Share (NAVPS)	Revenue	Operating profits	Current profit and loss (after income tax)	Earnings per Share (NT$) (After income tax)
Nueva Imaging Inc.	18	50,780	6,637	44,143	38,954	3,565	2,941	0.49
Silicon Optronics Holdings (Cayman) Ltd.	5,237	44,612	19,752	24,860	-	-	6,949	40.88
Silicon Optronics(Shanghai) Co, Ltd.	4,984	44,612	19,752	24,860	70,057	7,270	6,949	39.71

(VII) Consolidated Financial Reports of Affiliated Enterprises: Please refer to pages 86 to 213.

(VIII) Affiliation Report: Please refer to page 86.

II. Private Placement of Securities of the Most Recent Year up to the Publication Date of the Annual Report: None

III. Holding or Disposal of the Company's Shares by the Subsidiaries of the most recent year up to the print date of the annual report: None.

IV. Other Matters that Require Additional Description: None.

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

Silicon Optronics, Inc.

Chairman and President: James He