

**Stock Code : 3036**

# **WT Microelectronics Co., Ltd.**

## **2020 Annual Report**

Printed Date: April 16 , 2021

Annual Report is available at

Company Website: <http://www.wtmec.com>

Market Observation Post System: <http://mops.twse.com.tw>

This is a translation of the 2020 annual report (The “annual report”) of WT Microelectronics Co., Ltd. (The “Company”). This translation is intended for reference only and nothing else, The Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the annual report shall govern any and all matters related to the interpretation of the subject matter stated herein.

**I. The name, title, telephone number, and e-mail of the Company's spokesperson and acting spokesperson:**

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**III. Name, address, website, and telephone number of the stock transfer agency:**

Name: Grand Fortune Securities Co., Ltd.

Address: 6F, No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng District, Taipei City

Website: <http://www.gfortune.com.tw>

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**IV. Name of the CPA and name, address, website, and telephone number of the accounting firm for financial statements in the most recent year:**

Name of CPA: CPA Juanlu, Man-Yu, CPA Wu, Han-Chi

Accounting firm name: PricewaterhouseCoopers Taiwan

Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi District, Taipei City

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**V. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.**

**VI. Company website:**

<http://www.wtmec.com>

# Contents

	Page
Chapter 1. Letter to shareholders.....	1
Chapter 2. Company profile.....	5
I. Date of establishment: December 23, 1993 .....	5
II. Company history.....	5
Chapter 3. Corporate governance report.....	17
I. Company organization.....	17
II. Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices.....	18
III. Implementation of corporate governance .....	38
IV. Information on fees to CPA .....	102
V. Information on the replacement of CPA: None. ....	103
VI. The chairperson, president, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None. ....	103
VII. Share transfer by directors, supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report .....	104
VIII. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree) .....	106
IX. The number of shares of the same invested company held by the Company, the Company's directors, supervisors, and executive officers, and the businesses controlled directly or indirectly by the Company, and the consolidated shareholding ratio: .....	107
Chapter 4. Capital overview .....	109
I. Capital and shareholding .....	109
II. Issuance of corporate bonds.....	117
III. Issuance of preferred shares: .....	119
IV. Issuance of global depositary receipts (GDR): None. ....	121
V. Issuance of employee stock options: .....	122
VI. Issuance of new restricted employee shares: .....	125
VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:.....	130
VIII. Financing plans and implementation:.....	135
Chapter 5. Business Overview.....	136
I. Business Activities.....	136
II. Market, production and sales overview .....	148

III.	Employees.....	158
IV	Information on environmental protection expenses .....	159
V	Employer/employee relations .....	159
IV.	Material contracts (As of the annual report publication date on April 16, 2021).....	166
Chapter 6.	Financial Overview .....	169
I.	Condensed Balance Sheet and Statement of Comprehensive Income for the last five years .....	169
II.	Financial analysis of the last five years .....	173
III.	Supervisor's or Audit Committee's review report in the most recent year: .....	176
IV.	Financial statements for the most recent year.....	179
V.	Financial statements of the parent company for the most recent year audited by the CPA .....	280
VI.	The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None. ....	377
Chapter 7.	Review and analysis of the financial status, financial performance, and risk management .....	378
I.	Financial position.....	378
II.	Financial performance .....	379
III.	Cash flows .....	379
IV.	Effect of major capital spending on financial position and business operations.....	380
V.	Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year.....	380
VI.	Risk analysis and assessment: .....	380
VII.	Other important matters: None. ....	385
Chapter 8.	Special notes.....	386
I.	Profiles of affiliates enterprises .....	386
II.	Private placement of securities in the most recent year and as of the printing date of the annual report: .....	396
III.	Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None. ....	396
IV.	Other supplemental information: None. ....	396
V.	Supplementary information disclosure:.....	396
Chapter 9.	Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: Please refer to the important resolutions of the shareholders' meeting and the Board of Directors meeting in the most recent year up to the printing date of the annual report.....	396

## Chapter 1. Letter to shareholders

Dear Shareholders:

The Group's net consolidated operating revenue in 2020 was NT\$353,152,195,000, a 5.36% growth compared with NT\$335,187,151,000 in 2019. The net profit after tax in 2020 was NT\$3,794,576,000, up NT\$1,263,329,000 compared to the NT\$2,531,247,000 in 2019, which is a marginal decline of 49.91%. With the coronavirus accelerating digitization and boosting the stay-at-home economy, the growth momentum in 2020 was mainly driven by computer products such as data centers and laptop computers. Furthermore, increased 5G smartphone penetration is leading to increased semiconductor content, which in turn fuels continuing growth in telecommunications. In addition to the development of high growth product applications and increasing customer penetration in the future, we will continue to go digital and improve operational efficiency, optimize operational management systems, enhance our financial management system, and strengthen human resource management, in order to enhance the Company's capability to provide added value to the semiconductor industry supply chain, and thus lay the foundation for corporate sustainability.

The Group's 2020 business overview and 2021 business plan summary report are as follows:

### I. 2020 Business Report

#### 1. Business plan implementation results:

Unit: NT\$1,000

Item	2019	2020	Increase (Decrease)	Rate of change %
Operating	335,187,151	353,152,195	17,965,044	5.36
Operating	5,253,230	5,315,969	62,739	1.19
Net profit after	2,531,247	3,794,576	1,263,329	49.91

#### 2. Financial revenue and expenditure and profitability analysis:

Item		2019	2020
Financial structure	Debt to asset ratio (%)	76.84	64.80
	Long-term funds to fixed assets	2,542.03	4,824.28
Liquidity	Current ratio (%)	127.06	134.47
	Quick ratio (%)	66.00	79.84
Profitability	Return on assets (%)	3.42	3.64
	Return on equity (%)	11.18	10.90
	Net profit margin (%)	0.76	1.07
	Earnings per share (NTD) (Note)	4.32	5.22

Note: Based on weighted average shares outstanding in each year.

#### 3. Research and development status:

The continued evolution of semiconductor manufacture process, This keep driving new demand on high performance computer with new generation processor ,AI had significant

enhancement on computing speed and capability, Wide Band Gap semiconductor components had been deployed to the market, 5G mobile communication with mobile phone and base station with mass deployment on each country; ORAN, edge computing, and WiFi 6E will be the next growth market. After these business environment changed, it create more new applications and new end user demands: high performance digital power supply, AI cameras, smart speakers, 800G switches and 800G optics modules, SiC and GaN applications in electric cars and base stations, time-of-flight laser components, Bluetooth 5.2 products and ultra-wide broadband, low power and high speed personal wireless LAN and new telecommunications technologies. All of them have become highlights of the next generation semiconductor industry. The WT Group is a distributor for key electronic components, such as: high performance x86 processors, neural embedded system image processor, high radio frequency components, Time of Flight infrared laser sensing component, multiple point far infrared sensing component, MEMS components, high performance microcontroller, cutting edge performance power components, high bandwidth ethernet switch fabric, and high precision analog components. To provide sufficient technology to support system design and product development in these new platforms, the WT Group will continue to invest and accumulate system integrated knowledge and technology to enhance the technical quality of team members. Furthermore, the WT Group will continue to cooperate with world-class chip design manufacturers to provide customers with high-quality technical services and total solutions. Research and development expenditures over the last three years are shown below:

Unit: NT\$1,000

Item	2018	2019	2020
Net operating revenue	273,416,485	335,187,151	353,152,195
R&D expenses	367,592	407,103	385,971
R&D expenses as a percentage of revenue	0.13%	0.12%	0.11%

## II. 2021 Business Plan Summary

### 1. Operating strategy:

- (1) "Professional integrity and sustainable management" is the Group's business philosophy.
- (2) The Group's consistent service tenet is to "provide services to support downstream clients by reducing their R&D pipeline and increasing their competitiveness and to assist upstream suppliers through product promotion and marketing."
- (3) Focus on performance and efficiency in order to build a solid business team.
- (4) Monitor market trends and provide customers with technology-based services.

### 2. Expected sales volume and its basis:

The Group's main sales products consist of various electronic components. Due to the wide variety of products and large variation in unit price, adopting sales volume as a basis for measurement is not suitable. For the Group's overall sales expectations, based on the analysis of the market and macroeconomic development, the Group's core business is expected to show steady growth in the coming year.

### 3. Important production and sales policies:

- (1) Introducing new product lines and entering new application markets - According to the Company's long-term development strategies and plan, introduce new product lines that meet market demand and expand the product portfolio. Strengthen product and market planning capabilities and improve the overall market positioning by expanding the penetration into the relevant automotive electronics, cloud data centers, smart Internet of Things, 5G related applications, industrial control, green energy, and medical instruments markets, among others. Strengthen the proportions of shipments of these products to continuously improve the product mix and growth rate.
- (2) Exploring new customers - For the existing customer base, optimize management capabilities, improve service quality, and continuously increase the penetration rate of the Group's products. At the same time, actively expand new production lines for high-quality new customers and existing customers, as well as new application opportunities for existing products, especially in the Group's strategic development areas of automotive electronics, cloud data centers, industrial control, smart Internet of Things, and 5G applications. By providing high-quality technical support and total solutions, accelerate customers' timeliness in promoting products to the market, and develop close and long-term cooperation with leaders in various fields.
- (3) Improving value-added services - Continue to go digital, and improve operating efficiency and reduce costs through AI enabled operations management systems and optimized internal processes. Create demand for vendors through solid customer relationships and rapid market response, and increase products' added value and the Group's profitability while providing solid technical support to help customers develop new products.
- (4) Effectively responding to changes in the macroeconomic environment - Changes in the global economic climate, exchange rate fluctuations, changes in government-led economic and financial policies, and unexpected global public health events such as the coronavirus and climate change all affect the Group's financial and business operations and management. Therefore, in order to stabilize the Group's competitiveness in the market, the management and control capabilities with regard to inventory, the customer account collection period, accounts receivable, exchange rate hedging, and cash flow must also be improved. The organization and business activities must be adjusted as needed to respond to various changes.

### III. The Group's Future Development Strategy

In order to cope with the global industrial division of labor, improve overall competitiveness, and continue to increase the return on working capital and the return on equity, the Group's positioning strategies in Asia Pacific and emerging markets include the following: first, focusing on the Group's long-term development, introducing new product lines, entering

new application areas in a timely manner, and adapting to industry demands and technology trends; second, strengthening the mix of customers, product lines, and market applications to reduce the risk of being affected by changes in a single factor; third, increase the value added to upstream vendors and downstream customers; and fourth, integrate resources of different parties through mergers and acquisitions to generate synergistic effects that will reduce operating costs and gain economies of scale. The Group aims to become an international professional semiconductor components distributor, as well as to build a comprehensive service network in the pan-Asia Pacific region and emerging regions through a comprehensive business marketing system. While actively increasing market share and expanding revenue scale in accordance with the principles of "professional integrity and sustainable management," we will continue to pursue the best interests of shareholders, employees, and customers with the support of all employees and shareholders.

For the support of all shareholders, I would like to express my most sincere gratitude to the shareholders on behalf of the Board of Directors and all the Group's employees. We will uphold our consistent business philosophy, seize opportunities for industrial development, and present superior business results to share with you.

Sincerely yours,

Chairperson: Cheng, Wen-Tsung



## Chapter 2. Company profile

I. Date of establishment: December 23, 1993

II. Company history

- 1993 • Established Serial Semiconductor Co. (currently known as WT Microelectronics Co. Ltd.) with a registered capital of NT\$10 million. Its main business was the sale of electronic components.
- 1994 • Purchased land and buildings in the Wanshunliao section of Shenkeng Township for office and storage use.
  - Underwent an organizational change from Serial Semiconductor Co. to Serial Semiconductor Co., Ltd.
- 1995 • Promoted and sold the semiconductor electronic components of the US-based Texas Instruments (TI).
- 1996 • Awarded TI's Fastest Growing Agent in Asia.
- 1997 • Had a cash capital increase of NT\$30 million, with a total capital of NT\$40 million.
  - The office was relocated to 7F, No. 34, Section 3, Bade Road, Taipei, Taiwan.
  - Established the R&D Application Engineering Department to engage in electronic-related product design and assisted design.
  - Awarded TI's Annual of SSL Sales Reaching US\$10 million and Second Place in DSP DWIN LNR Promotion.
- 1998 • Had a cash capital increase of NT\$40 million, with a total capital of NT\$80 million.
  - Reinvested in Wintech Microelectronics Holding Limited.
  - Established WT Microelectronics Hong Kong Branch.
  - Awarded TI's Highest Sales Revenue for CBT Series Products and DSP Best Promotion in Taiwan.
  - Awarded TI's Gold and Bronze for DSP Solution Design and Introducing Product Sales.
  - Awarded TI's Sales Gold of Specific Application Products.
  - Ranked among the top 500 in the service industry in Taiwan by China Credit Information Service Ltd.
- 1999 • Promoted and sold semiconductor electronic components of the US-based Fairchild.
  - Had a capital increase of NT\$119.2 million out of capital reserve, with a total capital of NT\$199.2 million.
  - Promoted and sold semiconductor electronic components of the US-based SST.
  - Had a cash capital increase of NT\$50 million and a capital increase of 15 million out of earnings, with a total capital of NT\$264.2 million, and retroactively handled the public issuance of shares.
  - Promoted and sold semiconductor electronic components of the US-based LSI.
  - Had a cash capital increase of NT\$95.8 million, with a total capital of NT\$360 million.
  - Purchased the Far East Century Plaza (about 852 pings) in Zhonghe City, Taipei County for office and warehouse use.
  - Changed the Company's English name from Serial Semiconductor Co., Ltd. to Wintech Microelectronics Co., Ltd.
  - Awarded TI's Fastest Sales Growth in High-End CMOS Logic Products.

- Awarded Fairchild's Best Agent.
- Ranked 183rd in CommonWealth Magazine's survey of revenue growth rate and 26th in employee productivity.
- 2000
  - Promoted and sold semiconductor electronic components of the France-based ST.
  - Moved offices and warehouses to Far East Century Plaza in Zhonghe City.
  - Promoted and sold semiconductor electronic components of the US-based Marvell.
  - Had a cash capital increase of NT\$168 million and a capital increase of NT\$72 million out of earnings, with a total capital of NT\$600 million.
  - Reinvested in Milestone Investment Co., Ltd.
  - Reinvested in Nino Capital Co., Ltd.
  - Stock was listed on the over-the-counter market.
  - Awarded TI's Fastest Growing Agent in Taiwan and the Best Quality App.
  - Awarded Fairchild's Best Agent in Taiwan, the New Product Promotion Excellence, and the Best Agent of the Year.
  - Awarded Marvell's Best Agent of the Year.
  - Ranked 32nd among the top 100 operational performance in the manufacturing and service industry in Taiwan by CommonWealth Magazine.
- 2001
  - Reinvested in Shanghai Well Tech Microelectronics Co., Ltd.
  - Reinvested in World Motion Technology Limited.
  - Had a cash capital increase of NT\$100 million and a capital increase of NT\$136 million out of earnings, capital reserve, and employee bonus, with a total capital of NT\$836 million.
  - Issued the first domestic unsecured convertible corporate bonds of NT\$300 million.
  - Issued the first employee stock warrants of 5,000 units.
  - Awarded ST's Agent for the Fastest Growing Sales in Asia.
  - Awarded Marvell's Best Agent of the Year.
  - Awarded ST's Agent with the Most Growth Promise in the Asia-Pacific Region.
  - Ranked 496th among Business Weekly's "Top 1000 Listed Companies in the Mainland, Taiwan, and Hong Kong."
  - Ranked 98th among Business Weekly's "Top 500 Service Industry Survey" and 16th in the information, communication, and IC channels.
- 2002
  - Issued the second domestic unsecured convertible corporate bonds of NT\$800 million.
  - Convertible corporate bonds were converted to a share capital of NT\$44.74 million, with a total capital of NT\$880.74 million.
  - Awarded the "90 Top 500 Outstanding Exporters/Importers" certificate issued by the Bureau of Foreign Trade, MOEA.
  - The Company's stock was listed on the Taiwan Stock Exchange.
  - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd.
  - Had a capital increase of NT\$60.04 million out of earnings, capital reserve, and employee bonuses, and convertible corporate bonds were converted to a share capital of NT\$57.24 million, with a total capital of NT\$998.01 million.
  - Reinvested in Lintek Singapore Ltd., and changed its English company name to Wintech Microelectronics Singapore Pte. Ltd.
  - Convertible corporate bonds were converted to a share capital of NT\$4.23 million, with a total capital of NT\$1.00224 billion.
  - Issued the second employee stock warrants of 2,240 units.

- Purchased treasury shares of the Company for the first time for a total of 153 thousand shares.
  - Awarded TI's for being the Outstanding Distributor Team.
  - Awarded ST's Most Steady Growth Supplier in the Past Three Years.
  - Ranked among the top 100 companies in CommonWealth Magazine's Top 500 Service Industry Surveys in terms of revenue.
  - Ranked 373rd among Business Weekly's "Top 1000 Listed Companies in the Mainland, Taiwan, and Hong Kong" and 13th in the information, communication, and IC channels.
- 2003
- Convertible corporate bonds were converted to a share capital of NT\$940 thousand, with a total capital of NT\$1.00319 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$9.33 million, with a total capital of NT\$1.01251 billion.
  - Reinvested in Wintech Microelectronics Korea Co., Ltd.
  - Reinvested in Wintech Microelectronics(Malaysia)Sdn., Bhd.
  - Convertible corporate bonds were converted to a share capital of NT\$15.39 million, with a total capital of NT\$1.02791 billion.
  - Had a capital increase of NT\$71.55 million out of earnings and employee bonuses, and convertible corporate bonds were converted to a share capital of NT\$73.1 million, with a total capital of NT\$1.17256 billion.
  - Issued the third domestic unsecured convertible corporate bonds of NT\$800 million.
  - Issued the third employee stock warrants of 2,800 units.
  - Convertible corporate bonds were converted to a share capital of NT\$32.93 million, with a total capital of NT\$1.20549 billion.
  - Awarded ST's Best Apac Power Business Unit Best Application Support Manufacturer.
  - Ranked 119th in revenue and 82nd in service industry performance in the large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2003.
- 2004
- Convertible corporate bonds were converted to a share capital of NT\$8.95 million, and employee stock warrants were converted into a share capital of NT\$400 thousand, with a total capital of NT\$1.21484 billion.
  - Purchased treasury shares of the Company for the second time for a total of 3 million shares.
  - Convertible corporate bonds were converted to a share capital of NT\$20.29 million, and employee stock warrants were converted into a share capital of NT\$940 thousand, with a total capital of NT\$1.23607 billion.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2004: Ranked 67th in service industry revenue, 120th in service industry performance, and 7th in the electronic component wholesale industry.
  - Reinvested in Wintech Microelectronics(Thailand)Ltd.
  - The employee stock warrants were converted into a share capital of NT\$1.2 million, with a total capital of NT\$1.23727 billion.
  - Reinvested in Lintek Electronics Co., Ltd.
  - Reinvested in Sin Yie Investment Co., Ltd.
  - Had a capital increase of NT\$90.20 million out of earnings and employee bonuses, with a total capital of NT\$1.32748 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$660 thousand, with a total capital of NT\$1.32813 billion.

- The subsidiary, Lintek Electronics Co., Ltd., merged with Nuvision Technology Inc.
  - Reinvested in NuVision Technology(Samoa)Inc.
  - Reinvested in Ahead Success Co., Ltd.
  - Reinvested in Nuvision Technology (Shenzhen) Co., Ltd.
- 2005
- Promoted and sold semiconductor electronic components of SyChip.
  - Promoted and sold semiconductor electronic components of EXAR.
  - Ranked 48th among Business Weekly's 2004 Top 500 Service Industry Survey in Taiwan.
  - Convertible corporate bonds were converted to a share capital of NT\$750 thousand, with a total capital of NT\$1.32888 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$2.1 million, with a total capital of NT\$1.33098 billion.
  - Promoted and sold semiconductor electronic components of the US-based CaMD.
  - Promoted and sold semiconductor electronic components of the US-based ALTERA.
  - Had a capital increase of NT\$267.4 million out of capital reserve and employee bonuses, with a total capital of NT\$1.59839 billion.
  - Reinvested in Wintech Microelectronics (Shanghai) Co., Ltd., setting up a share capital of US\$1 million.
  - Promoted and sold semiconductor electronic components of ESMT.
  - Canceled the treasury shares of the first time purchase to reduce share capital by NT\$1.53 million, with a total capital of NT\$1.59686 billion.
  - Promoted and sold semiconductor electronic components of Audiocodes.
  - Awarded ST's Best Performance Growth in Asia Pacific.
  - Ranked among Digital Age Biweekly's 2005 Top 100 Technological Companies in Taiwan.
  - Awarded by Ambarella in recognition of contribution to delivering A1 chip, the world's first HD H. 264/AVC hybrid camera SoC.
  - Awarded ST's 2005 Best Performance Growth Agent – MPG Team.
  - Awarded TI's 2005 Asia Pacific HPA Outstanding New EE Development Agent and Asset Management Performance.
  - Awarded TI's 2005 Outstanding Agent Platinum (200M\$ Club).
  - Awarded the Silver Award of TI's 2005 Highest SLL Thrust Product Excellence Agent Retail Performance.
  - Awarded ADI's 2005 Best Team in the Notebook Computer Division.
- 2006
- Ranked 84th among revenue in Business Weekly's 2005 Top 1000 Listed Companies and 116th among the Top 150 Listed Companies Revenue Growth.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2006: Ranked 6th in the electronic component wholesale industry, 46th in service industry net revenue, 136th in the mixed list of public and private businesses, and 360th in service industry performance.
  - Purchased treasury shares of the Company for the fourth time for a total of 3.616 million shares.
  - Purchased treasury shares of the Company for the fifth time for a total of 845 thousand shares.
  - Reinvested in Wintech Logistics Limited.
  - Purchased treasury shares of the Company for the sixth times for a total of 1.5 million shares.

- Awarded the "2005 Top 500 for Outstanding Exporters/Importers" certificated issued by the Bureau of Foreign Trade, MOEA.
  - Convertible corporate bonds were converted to a share capital of NT\$550 thousand, and employee stock warrants were converted into a share capital of NT\$2.98 million, with a total capital of NT\$1.60039 billion.
  - Had a capital increase of NT\$85.67 million out of earnings and employee bonuses, with a total capital of NT\$1.68606 billion.
  - Awarded ASUSTeK Computer's 2006 Excellent Supplier.
  - Awarded TI's Outstanding Agent in the Asia-Pacific region.
  - Awarded Fairchild's 2006 Excellent Supplier.
  - Ranked among Digital Age Biweekly's 2006 Top 100 Technological Companies in Taiwan.
- 2007
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2007: Ranked 6th in the electronic component wholesale industry, 52nd in service industry net revenue, and 134th in the mixed list of public and private businesses.
  - Issued the fourth domestic unsecured convertible corporate bonds of NT\$400 million.
  - The employee stock warrants were converted into a share capital of NT\$27.27 million, with a total capital of NT\$1.71333 billion.
  - Singapore-based Serial System Limited was dismissed as the Director and Supervisor in accordance with the law due to transferring more than one-half of the shares it held at the time of its selection as the Director and Supervisor.
  - The employee stock warrants were converted into a share capital of NT\$3.09 million, with a total capital of NT\$1.71642 billion.
  - The Company's English name was changed from Wintech Microelectronics Co., Ltd. to WT Microelectronics Co., Ltd.
  - The employee stock warrants were converted into a share capital of NT\$3.21 million, with a total capital of NT\$1.71963 billion.
  - Reinvested in WT Technology Pte. Ltd.
  - Ranked 4th in the information channel industry in CommonWealth Magazine's 2007 selection of Benchmark Enterprise Survey.
  - Had a capital increase of NT\$84.7 million out of earnings and employee bonuses, with a total capital of NT\$1.80433 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$18.91 million, and employee stock warrants were converted into a share capital of NT\$4.47 million, with a total capital of NT\$1.82771 billion.
  - Awarded Altera's Asia Pacific Outstanding Performance for the third quarter of 2007.
  - Awarded the 2006 Outstanding Exporters/Importers certificated issued by the Bureau of Foreign Trade, MOEA.
  - Had a cash capital increase of NT\$250 million, with a total capital of NT\$2.07771 billion.
  - Issued the first employee stock warrants of 5,000 units for the year of 2007.
- 2008
- Convertible corporate bonds were converted to a share capital of NT\$2.57 million, and employee stock warrants were converted into a share capital of NT\$4.92 million, with a total capital of NT\$2.08520 billion.
  - Awarded ST's 2007 Fastest Growing Agent .
  - Ranked 124th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2008; ranked 6th in the electronic component wholesale industry and 48th in service industry net revenue.

- WT and its 100% indirectly held subsidiary, Promising Investment Limited, acquired all shares of the semiconductor parts distribution business of Solomon Co. Ltd. and the Hong Kong subsidiary Solomon QCE Limited of Solomon in cash.
  - The employee stock warrants were converted into a share capital of NT\$1.76 million, with a total capital of NT\$2.08696 billion.
  - Awarded the 2007 Outstanding Exporters/Importers certificated issued by the Bureau of Foreign Trade, MOEA.
  - Convertible corporate bonds were converted to a share capital of NT\$240 thousand, and employee stock warrants were converted into a share capital of NT\$11.78 million, with a total capital of NT\$2.09898 billion.
  - Had a capital increase of NT\$173.36 million out of earnings and employee bonus, with a total capital of NT\$2.27234 billion.
  - The employee stock warrants were converted into a share capital of NT\$750 thousand, with a total capital of NT\$2.27309 billion.
  - Ranked 5th in the information channel industry in CommonWealth Magazine's 2008 selection of Benchmark Enterprise Survey.
  - Purchased treasury shares of the Company for the seventh time for a total of 2.577 million shares.
  - Purchased treasury shares of the Company for the eighth time for a total of 393 thousand shares.
  - Awarded ST's 2008 Global Second Agent.
  - Awarded Pegatron & Unihan's 2008 Excellent Supplier.
  - Awarded Foxconn Technology Group's 2008 Excellent Supplier in JIT Promotion.
  - Awarded ASUSTeK Computer's 2008 Excellent Supplier.
  - Reinvested in Shanghai Welltech Microelectronics Co., Ltd. and changed its English name to Shanghai WT Microelectronics Co., Ltd.
  - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd. and changed its Chinese name to WT Microelectronics (Shenzhen) Co., Ltd.
- 2009
- The employee stock warrants were converted into a share capital of NT\$2.68 million, with a total capital of NT\$2.27577 billion.
  - Ranked 114th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2009; ranked 5th in the electronic component wholesale industry and 52nd in service industry net revenue.
  - Reinvested in Shanghai WT Microelectronics Co., Ltd. and changed its Chinese name to WT Microelectronics (Shanghai) Co., Ltd.
  - Reinvested in Shanghai Welltech Microelectronics Co., Ltd. and changed its Chinese name to Shanghai WT Microelectronics Co., Ltd.
  - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd. and changed its English name to WT Microelectronics (Shenzhen) Co., Ltd.
  - Canceled the treasury shares of the fifth purchase to reduce share capital by NT\$6.48 million, with a total capital of NT\$2.26929 billion.
  - Canceled the treasury shares of the sixth purchase to reduce share capital by NT\$12.78 million, with a total capital of NT\$2.25651 million.
  - Purchased treasury shares of the Company for the tenth time for a total of 7.12 million shares.
  - Acquired all shares of Morrihan International Corp. to increase capital by NT\$ 209.08 million by share conversion, with a total capital of NT\$ 2.46559 billion.
  - Had a capital increase of NT\$36.88 million out of earnings and employee bonuses, with a total capital of NT\$2.50247 billion.

- Awarded ST's 2009 Global First Agent.
- Awarded Pegatron & UniHan's Excellent Supplier.
- Ranked 5th in the information channel industry in CommonWealth Magazine's 2009 selection of Benchmark Enterprise Reputation Survey.
- Promoted and sold semiconductor electronic components of APL.
- Awarded Moxa Technology's 2009 Excellent Supplier.
- 2010
  - Awarded ASUSTeK Computer's 2010 Excellent Supplier.
  - Ranked 4th in the information channel industry in CommonWealth Magazine's 2010 selection of Benchmark Enterprise Reputation Survey.
  - Ranked 85th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2010; ranked 5th in the electronic component wholesale industry and 45th in service industry net revenue.
  - Awarded ASUSTeK Computer's 2010 Best Partner.
  - Awarded ASUSTeK Computer's 2010 Best Sales.
  - Awarded IR's 2010 Taiwan Best Demand Creation.
  - Awarded Ublox's 2010 Outstanding Distributor in Taiwan.
  - Awarded ST's 2010 Special Award for the Support of PWM within the Computer Segment.
  - Awarded ST's 2010 Best Performance for MSH Products.
  - Awarded ST's 2010 A Profound Team Partner of 1B\$ in GC & SA Region.
  - Awarded TI's Platinum Award in Recognition of Outstanding Resale Performance in the 2010 Asia Distributors Conference.
  - Acquired all shares of BSI Semiconductor Pte. Ltd. and its subsidiaries in cash.
  - Awarded Moxa Technology's 2010 Excellent Supplier.
- 2011
  - Increased investment in the subsidiary, Wintech Microelectronics Holding Limited, by US\$20 million, and acquired all shares of NSU Semiconductor Co., Ltd. in cash through its indirectly held subsidiary, Wintech Investment Co., Ltd.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2011: Ranked 73rd in the mixed list of public and private businesses, 95th in service industry performance, 21st in service industry net revenue, and 3rd in electronic component wholesale.
  - Ranked 21st among the service industry and 3rd in the information, communication, and IC channel category in CommonWealth Magazine's 2011 Top 1000 Business Survey.
  - The employee stock warrants were converted into a share capital of NT\$16.7 million, with a total capital of NT\$2.51917 billion.
  - The employee stock warrants were converted into a share capital of NT\$4.04 million, with a total capital of NT\$2.52321 billion.
  - Had a capital increase of NT\$49.88 million out of earnings, with a total capital of NT\$2.57309 billion.
  - Had a cash capital increase of NT\$300 million, with a total capital of NT\$2.87309 billion.
  - The employee stock warrants were converted into a share capital of NT\$2.73 million, with a total capital of NT\$2.87582 billion.
  - The employee stock warrants were converted into a share capital of NT\$6.42 million, with a total capital of NT\$2.88224 billion.
  - Ranked among Business Next Biweekly's 2011 Top 100 Technological Companies in Taiwan and Asia.

- Awarded the 2011 Best Innovation, ST Microelectronics GC & SA Region, Distribution Sales Convention, Sept. 18~22, 2011, Sanya, China.
  - Awarded the 2011 Best Performance, ST Microelectronics GC & SA Region, Distribution Sales Convention, Sept. 18~22, 2011, Sanya, China.
  - Awarded Etasis Electronics Corp.'s 2011 Best Partner of the Year.
  - Awarded Orient Semiconductor Electronics Limited's 2011 Excellent Supplier.
- 2012
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2012: Ranked 67th in the mixed list of public and private businesses, 88th in service industry performance, 21st in service industry net revenue, and 4th in electronic component wholesale.
  - Acquired all shares of Techmosa International Inc. to increase capital by NT\$ 404.5 million by share conversion, with a total capital of NT\$3.28674 billion.
  - The employee stock warrants were converted into a share capital of NT\$5.3 million, with a total capital of NT\$3.29204 billion.
  - The employee stock warrants were converted into a share capital of NT\$1.46 million, with a total capital of NT\$3.2935 billion.
  - Canceled the treasury shares of the tenth purchase to reduce share capital by NT\$26.2 million, had a capital increase of NT\$98 million out of earnings, with a total capital of NT\$3.3653 billion.
  - The employee stock warrants were converted into a share capital of NT\$6.46 million, with a total capital of NT\$3.37176 billion.
  - Awarded Freescale's 2012 Asia Distribution Distinction for the Highest Customer Count Growth Regional Distributor.
  - Awarded TI's Outstanding Resale Performance, Platinum Award.
  - Ranked 21st among the service industry and 3rd in the information, communication, and IC channel category in CommonWealth Magazine's 2012 Top 1000 Business Survey.
- 2013
- The employee stock warrants were converted into a share capital of NT\$3.89 million, with a total capital of NT\$3.37565 billion.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2013: Ranked 65th in the mixed list of public and private businesses, 19th in service industry net revenue, and 2nd in electronic component wholesale.
  - Awarded EXAR's Best Continuing Grow-Up On BIZ Revenues and Demand Creation's Performances in the Past Six Quarters.
  - Awarded ASUSTeK Computer's Excellence Supplier.
  - The Company acquired all shares of MSD Holdings Pte. Ltd. in cash.
  - Reinvested in NSU Semiconductor Co., Ltd. and changed its English name to WT Technology Korea Co., Ltd.
  - Awarded the Best Demand Creation (Industrial & Power Group) 2013, ST Microelectronics GC&SA, Annual Distribution Sales Convention, 2-6 September 2013, Macau.
  - Awarded FSP Technology Inc's 2013 Excellent Supplier.
- 2014
- Had a capital increase of NT\$168.78 million out of earnings, with a total capital of NT\$3.54443 billion.
  - Reinvested in Anius Enterprise Co., Ltd.
  - Reinvested in Mega Source Co., Ltd.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2014: Ranked 61st in the mixed list of public and private businesses, 17th in service industry net revenue, and 1st in electronic component wholesale.



- Ranked 20th in the service industry and 3rd in the information, communication, and IC channel category, in Commonwealth Magazine's 2013 Top 2000 Business Survey.
  - Awarded the "2014 Top 500 for Outstanding Exporters/Importers" certificated issued by the Bureau of Foreign Trade, MOEA (ranked 292nd).
  - Awarded Texas Instruments' in Recognition of Achieving \$1B Milestone.
  - Awarded Freescale's 2013 Asia Distribution Distinction for Best Performing Regional Distributor in the Greater China.
  - Awarded Orient Semiconductor Electronics Limited's 2013 Excellent Supplier.
  - Awarded Whetron Electronics Co., Ltd.'s 2013 Supplier Excellence.
  - Donated NT\$30 million to establish the WT Education Foundation.
- 2015
- Had a cash capital increase of NT\$525 million, with a total capital of NT\$4.06943 billion.
  - Ranked 4th in Asia Pacific and 4th in the world in Gartner's 2014 Semiconductor Channel Distributors Market Survey.
  - Ranked 67th among Commonwealth Magazine's 2014 Top 2000 Business Survey, 18th in the service industry, and 3rd in the information, communication, and IC channel category.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2015: Ranked 52nd in the mixed list of public and private businesses, 14th in service industry net revenue, and 1st in electronic component wholesale.
  - Received ST's 2014 Best Demand Creation for Memory, Microcontrollers, & Secure Microcontrollers Division.
  - Awarded Fairchild Distributor of the Year 2014.
  - Awarded Freescale's 2014 Outstanding Reference Design Team.
  - Awarded Orient Semiconductor Electronics Limited's 2014 Excellent Supplier.
  - Awarded the UK-based Quixant's 2014 Best Partner.
  - Had a capital increase of NT\$406.94 million out of earnings, with a total capital of NT\$4.47638 billion.
  - The Company obtained the ISO 9001:2008 Quality Management System Certificate and the 14001:2004 Environmental Management System Certificate.
  - The subsidiary, WT Microelectronics (Shanghai) Co., Ltd., obtained real estate for business in Shanghai.
- 2016
- The subsidiary, WT Technology Korea Co., Ltd., absorbed the subsidiary BSI Semiconductor (Korea) Co., Ltd.
  - Awarded Texas Instruments' in Recognition of Year 2015 for Outstanding MM Growth WT Taiwan, Outstanding MM Growth WT China, Outstanding MM Growth WT Asia, and Excellent Distributor Partner WT Asia.
  - Awarded Freescale's 2015 Outstanding Performance Award in Market Penetration.
  - Ranked 16th in the service industry in Commonwealth Magazine's 2015 Top 2000 Business Survey and 2nd in the information, communication, and IC channel category.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2016: Ranked 49th in revenue among companies in mixed industries, 14th in service industry net revenue, and 2nd in the electronic component wholesale industry.
  - Awarded ST's 2015 Best Demand Creation — Digital Product Group, Best Partnership — China, and Best Performance-Gold.

- Ranked among the top 21%-35% bracket of the 2nd Corporate Governance Evaluation in 2015.
  - Invested US\$20 million to increase the capital of Wintech Microelectronics Holding Limited, an important subsidiary, and subsequently reinvested the same amount to the subsidiaries Promising Investment Limited and Rich Web Ltd. and the Mainland subsidiary WT Microelectronics (Shenzhen) Co., Ltd.
  - Issued the fifth domestic unsecured convertible corporate bonds for NT\$1.5 billion.
  - Had a capital increase of NT\$223.82 million out of earnings, with a total capital of NT\$4.7002 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$15 million, with a total capital of NT\$4.7152 billion.
  - Increased the capital of the subsidiary, Morrihan International Corp. by NT\$1 billion in cash.
- 2017
- Awarded Texas Instruments' in Recognition of Year 2016 (NonCF) 1B Milestone Achievement.
  - Awarded ST's 2016 Best Agent in Taiwan.
  - Awarded ON Semiconductor's 2016 Best Distributor Award in Taiwan.
  - Awarded Foxconn's 2016 Outstanding Supplier Award.
  - Ranked 12th in the service industry in Commonwealth Magazine's 2016 Top 2000 Business Survey, 3rd in the information, communication, and IC channel category, 36th in the service industry's fastest growing category, and 36th in the service industry's most profitable companies category.
  - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2017: Ranked first in the electronic component wholesale industry, 10th in service industry revenue, 41st in the revenue among companies in mixed industries, and 151st in service industry performance.
  - Convertible corporate bonds were converted to a share capital of NT\$57.03 million, with a total capital of NT\$4.77223 billion.
  - Ranked among the top 6%-20% of the 3rd Corporate Governance Evaluation in 2016.
  - Awarded ST's Asia Pacific Best Agent.
  - Awarded ST's Asia Pacific Best Agent for Memory Products.
  - Awarded Foxconn (Wuhan) Technology Group's 2017 Best Cooperative Agent.
  - Awarded Foxconn CESBG's 2017 Best Partner.
  - Acquired 100% of all shares of Maxtek Technology Co., Ltd. converted by cash consideration.
  - Increased the capital of the subsidiary, Morrihan International Corp. by NT\$1.6 billion in cash.
- 2018
- Awarded first place in Qisda's 2017 H2 supplier evaluation.
  - Awarded INVENTEC's 2017 Best Supplier.
  - Awarded ON Semiconductor Corporation's 2017 Top Distribution Partner in APAC.
  - Had a cash capital increase of NT\$750 million, with a total capital of NT\$5.52223 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$3.22 million, with a total capital of NT\$5.52545 billion.
  - Ranked among the top 6%-20% of the 4th Corporate Governance Evaluation in 2017.
  - Ranked 10th in the service industry in Commonwealth Magazine's 2017 Top 2000 Business Survey, 3rd in the information, communication and IC channel

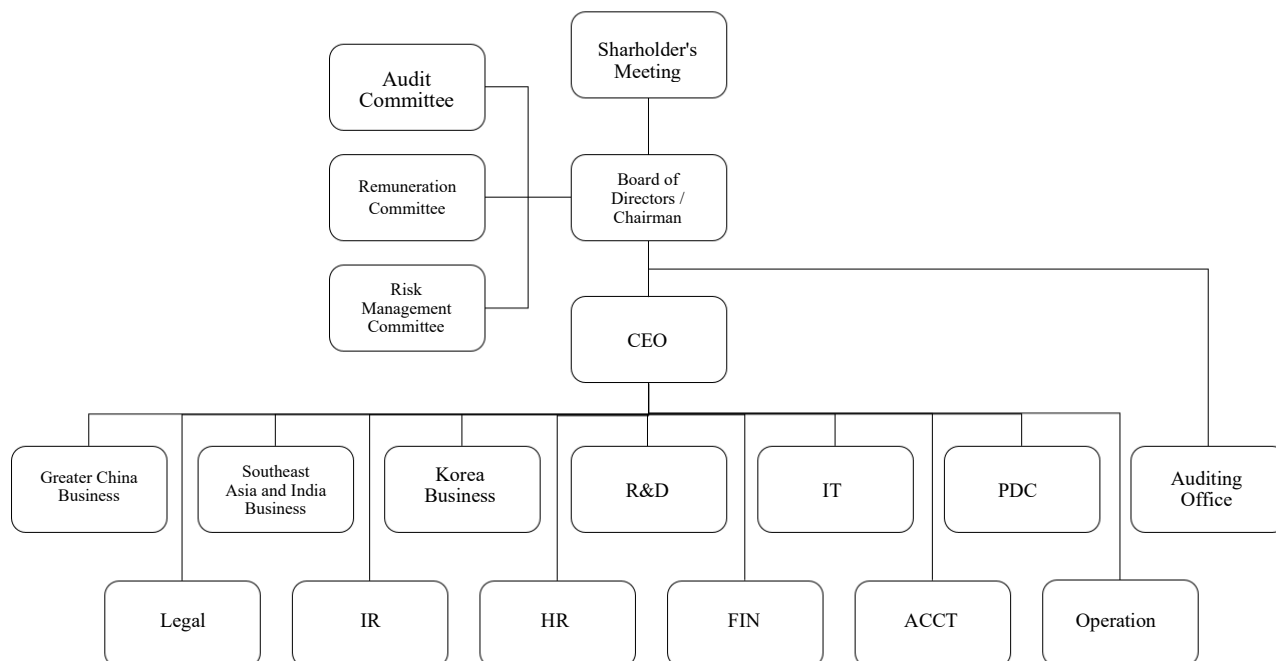
- category, 28th in the service industry's fastest growing category, and 27th in the service industry's most profitable companies category.
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2018: Ranked first in the electronic component wholesale industry, 6th in service industry revenue, and 33rd in revenue among companies in mixed industries.
- Awarded ST's 2018 Best Partnership (Taiwan), Best Growth STD Products Award and Best Performance (Gold Award).
- Awarded GIGABYTE's 2018 Best Agent.
- First release of the Chinese version of the 2017 Corporate Social Responsibility Report.
- Awarded the 2018 Great support to Dell NB Business.
- 2019 • Convertible corporate bonds were converted to a share capital of NT\$50.66 million, with a total capital of NT\$5.57611 billion.
- First release of the English version of the 2017 Corporate Social Responsibility Report.
- Ranked among the top 6%-20% of the 5th Corporate Governance Evaluation in 2018.
- Ranked 6th in the service industry in Commonwealth Magazine's 2018 Top 2000 Business Survey, 3rd in the information, communication and IC channel category, 24th in the service industry's fastest growing category, and 26th in the service industry's most profitable companies category.
- Convertible corporate bonds were converted to a share capital of NT\$290.32 million, with a total capital of NT\$5.86643 billion.
- Issued the sixth domestic unsecured convertible corporate bonds for NT\$1.2 billion.
- Convertible corporate bonds were converted to a share capital of NT\$36.93 million, with a total capital of NT\$5.90336 billion.
- Awarded NXP's 2018 Outstanding Performance in Demand Creation.
- Awarded Korenix Technology's 2018 Best Partner of the Year.
- Awarded Inventec Appliances' 2019 Excellent Supplier.
- 2020 • Convertible corporate bonds were converted to a share capital of NT\$11.01 million, with a total capital of NT\$5.91437 billion.
- Increased capital by NT\$1.710 billion in new shares with a total capital of NT\$7.62437 billion in a stock swap with ASMedia Technology Inc.
- Convertible corporate bonds were converted to a share capital of NT\$11.68 million, with a total capital of NT\$7.63605 billion.
- Ranked among the top 6%-20% of the 6th Corporate Governance Evaluation in 2019.
- Ranked 5th in the service industry in Commonwealth Magazine's 2019 Top 2000 Business Survey, 2nd in the information, communication and IC channel category, 48th in the service industry's fastest growing category, and 33rd in the service industry's most profitable companies category.
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2019: Ranked first in the electronic component wholesale industry, 4th in service industry revenue, and 22nd in revenue among companies in mixed industries.
- Ranked 24th in Commonwealth Magazine's 2020 Top 50 Business Survey.
- Acquired all shares of Analog World Co., Ltd. in cash, and transferred the semiconductor product distribution business of Analog Tech Systems, Inc. and Analog Devices, Inc. of Analogtechsys Limited to the subsidiary Morrihan International Corp.

- Convertible corporate bonds were converted to a share capital of NT\$205.86 million, with a total capital of NT\$7.84191 billion.
  - Had a cash capital increase of NT\$1.350 billion in Class A preferred shares, with a total capital of NT\$9.19191 billion.
  - Convertible corporate bonds were converted to a share capital of NT\$38.35 million, with a total capital of NT\$9.23026 billion.
  - Awarded the "2019 Top 500 for Outstanding Exporters/Importers" certificated issued by the Bureau of Foreign Trade, MOEA.
  - Awarded ST's 2020 Best Partnership (Taiwan) and Best Performance (Gold Award).
  - Awarded Winbond Electronics Corporation's 2020 Best PM Award.
  - Awarded Maxim's 2020 Best Agent.
  - Awarded Nuvoton Technology Corp's 2020 Best Agent, Top Sales Award, and Best MCU FAE.
  - Awarded Microchip's 2020 Partnership Award.
  - The major subsidiary, Wintech Microelectronics Holding Limited reinvested in subsidiaries, Brillnics Inc., Brillnics (HK) Limited, Brillnics Singapore Pte. Ltd., Brillnics Japan Inc., and Brillnics (Taiwan) Inc.
  - Bronze Medallist of 2019 Taiwan Corporate Sustainability (TCSA) Awards.
- 2021
- Convertible corporate bonds were converted to a share capital of NT\$2.06 million, with a total capital of NT\$9.23232 billion.
  - Issued new restricted employee shares of NT\$29.92 million, with a total capital of NT\$9.26224 billion.
  - Ranked in 500 High-growth Companies Asia Pacific by Financial Times and Nikkei Asia.

## Chapter 3. Corporate governance report

### I. Company organization

#### (I) Organization chart



#### (II) Business operations of major departments

Departments	Business operations
Business	Responsible for the sales of goods, with different locations in Greater China, Southeast Asia, India and South Korea.
R&D	Responsible for research and development of new products and technologies
IT	Responsible for the construction, integration and control of information systems
PDC	Including Warehouse Department and Shipping Department
Auditing Office	Responsible for business implementation assessments, audits, supervision and recommendations for improvement of various departments
Legal	Responsible for the management of corporate legal affairs, litigation and business contracts
Investor Relations	Responsible for the service matters of legal persons and public relations
Human Resources	Responsible for the management of human resources
Finance	Responsible for capital management and bank transactions
Accounting	Responsible for accounting summaries of company transactions and tax return filings and planning
Management	Including GA Department, VSR Department, and CSR Department

## II. Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices

### (I) Information on Directors

#### 1. Information on Directors:

March 31, 2021 Unit: shares

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	First time date appointed	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of common shares	Shareholding ratio	Common shares Number of shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Relationship	Name	Title	
Chairperson	ROC	Cheng, Wen-Tsung	Male	2019.06.21	3	1994.11.11	28,177,112	4.79%	28,177,112	3.56%	8,406,543	1.06%	79,460,307 (Note 1)	10.04%	Department of Industrial Engineering, Tunghai University Chairperson, WT Microelectronics Co., Ltd.	President, WT Microelectronics Co., Ltd. Chairperson, Nuvision Technology, Inc. Chairperson, Techmosa International Inc. Chairperson, Morrihan International Corp. Chairperson, Maxtek Technology Co., Ltd. Chairperson, Hongtech Electronics Co., Ltd. Chairperson, Milestone Investment Co., Ltd. Chairperson, SinYie Investment Co., Ltd. Chairperson, Shaoyang Investment Co., Ltd. Director, WT Microelectronics (Hong Kong) Limited Director, Promising Investment Limited Director,Wen You Investment Co., Ltd. Director,Tang Ye Investment Co., Ltd. Director, WT Technology(H.K.) Limited Director, WT Technology Pte. Ltd. Director, WT Microelectronics Singapore Pte. Ltd. Director, Wintech Microelectronics Ltd. Director, Wintech Microelectronics Holding Limited Director, Wintech Microelectronics Limited Director, Wintech Investment Co., Ltd. Director, WT Microelectronics (Malaysia) Sdn. Bhd. Director, WT Solomon QCE Limited Representative Director, Wonchang Semiconductor Co., Ltd. Representative Director, WT Technology Korea Co., Ltd. Representative Director, Analog World Co., Ltd. Director, BSI Semiconductor Pte. Ltd. Director, Morrihan Singapore Pte. Ltd. Director, Techmosa International Holding Ltd.	Director and Senior Vice President	Hsu, Wen-Hung	Spouse	Note 4
							0	0%	0	0%	0	0%	0	0%						

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	First time date appointed	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of common shares	Shareholding ratio	Common shares Number of shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Title	Name	Relationship	
															Director, MSD Holdings Pte. Ltd. Director, Anius Enterprise Co., Ltd. Director, Mega Source Co., Ltd. Director, Lacewood International Corp. Director, Best Winner International Development Ltd. Director, Maxtek International (HK) Limited Director, Asia Latest Technology Limited Director, Nino Capital Co., Ltd. Director, Rich Web Ltd. Director, Brillnics Inc. Director, Brillnics (HK) Limited Director, Brillnics Singapore Pte. Ltd. Director, Brillnics Japan Inc. Chairman, Brillnics (Taiwan) Inc.					
Directors	ROC	Hsu, Wen-Hung	Female	2019.06.21	3	2005.05.25	8,356,543	1.42%	8,356,543	1.42%	28,227,112	3.57%	79,460,307 (Note 1)	10.04%	National Chengchi University Senior Vice President, WT Microelectronics Co., Ltd.	Senior Vice President, WT Microelectronics Co., Ltd. Representative of Legal Person Director, Nuvision Technology Inc. Director, WT Microelectronics (Hong Kong) Limited Director, WT Technology Pte. Ltd. Director, WT Microelectronics Singapore Pte. Ltd. Director, WT Microelectronics (Malaysia) Sdn. Bhd. Director, WT Technology(H.K.) Limited Director, WT Solomon QCE Limited Director, Wonchang Semiconductor Co., Ltd. Director, WT Technology Korea Co., Ltd. Director, BSI Semiconductor Pte. Ltd. Director, MSD Holdings Pte. Ltd. Director, Maxtek International (HK) Limited Director, Analog World Co., Ltd. Chairperson, Wen You Investment Co., Ltd. Chairperson, Tang Ye Investment Co., Ltd. Supervisor, Shaoyang Investment Co., Ltd. Director, Brillnics Inc. Representative of Legal Person Director, Brillnics (Taiwan) Inc.	Chairperson and President	Cheng, Wen-Tsung	Spouse	None
							0	0%	0	0%	0	0%	0	0%						

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	First time date appointed	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of common shares	Shareholding ratio	Common shares Number of shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Relationship	Name	Title	
							Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio						
Directors	ROC	Wen You Investment Co., Ltd.	—	2019.06.21	3	2019.06.21	1,359,204	0.23%	1,359,204	0.17%	—	—	114,684,758 (Note 2)	14.49%	—	—	—	—	—	None
							0	0%	0	0%	—	—	0	0%			—	—	—	
Legal Representative	ROC	Cheng, Ken-Yi	Male	—	—	—	0	0%	0	0%	0	0%	0	0%	Department of Accounting, Feng Chia University Vice President, Hung Yang Venture Capital Co., Ltd. Assistant Manager, Taiwan International Securities Co., Ltd.	Director, Grand Fortune Securities Co., Ltd. Director, Solytech Enterprise Corporation Director, Leader Electronics Inc. Director, Shieh Yih Machinery Industry Co., Ltd. Independent Director,Prolific Technology Inc. Independent Director, Holy Stone Enterprise Co., Ltd.	None	None	None	None
							0	0%	0	0%	0	0%	0	0%			None	None	None	
Directors	ROC	Sung Kao, Hsin-Ming	Female	2019.06.21	3	2009.06.16	4,474,434	0.76%	4,474,434	0.57%	0	0%	0	0%	EMBA, International Business, National Taiwan University Section Head, Electronics Research Institute, Institute for Industrial Research	Chairperson and CEO, Markettech International Corp. Chairperson, JI-XUAN Investment Corp. Chairperson, Smart Health Corporation Supervisor, ProbeLeader Co., Ltd. Director, Macrotec Technology Corp.	None	None	None	None
							0	0%	0	0%	0	0%	0	0%			None	None	None	



Title	Nationality or place of registration	Name	Gender	Date appointed	Term	First time date appointed	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes		
							Number of common shares	Shareholdin g ratio	Common shares Number of shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Number of common shares	Shareholding ratio	Title		Name	Relationship
							Number of preferred shares	Shareholdin g ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio								
Independent Director	ROC	Cheng, Tien-Chong	Male	2019.06.21	3	2016.06.03	0	0%	0	0%	0	0%	0	0%	MBA, Santa Clara University, USA CEO, FIH Mobile Limited, subsidiary of Foxconn Technology Group Vice President, Foxconn Technology Group President, Texas Instruments Asia-Pacific President, HP China	Director, Aurotek Corporation Director, Jorjin Technologies Inc.	None	None	None	None		
							0	0%	0	0%	0	0%	0	0%								
Independent Director	ROC	Kung, Ju-Chin	Female	2019.06.21	3	2016.06.03	0	0%	0	0%	0	0%	0	0%	CPA of Taiwan, USA and China MBA, University of California, USA Master of Laws, National Chengchi University Assistant Manager, Pricewaterhouse Coopers President and CFO, Cite Media Holding Group CEO and Director, Cite Cultural & Arts Foundation Managing Director, Magazine Business Association of Taipei	CFO and CIO, TNL Media Group Associate Professor, China Industrial & Commercial Research Institute	None	None	None	None		
							0	0%	0	0%	0	0%	0	0%								

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	First time date appointed	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of common shares	Shareholding ratio	Common shares Number of shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Title	Name	Relationship	
							Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio						
Independent Director	ROC	Ding, Kung-Wen	Male	2020.03.27	3	2020.03.27	0	0%	0	0%	140,000	0%	0	0%	Master's Degree in of Public Finance, National Chengchi University Bachelor Degree in Finance, National Chung-Hsing University Deputy Commissioner, Commissioner of the Securities and Futures Commission, Ministry of Finance Chairperson of the Securities and Futures Institute Chairperson of Taiwan Depository & Clearing Corporation	Independent Director, Energenesis Biomedical Co., Ltd. Director, Hotung Investment Holdings Ltd. Full-time Chair Professor, Chihlee University of Technology Part-time Chair Professor, National Taipei University Part-time Associate Professor, National Chengchi University, National Chiao Tung University, and National Taiwan Normal University	None	None	None	None
							0	0%	0	0%	0	0%	0	0%						

Note 1: The total number of shares in the shareholding percentage was based on the total number of shares issued at 926,276,850 shares as of March 30, 2021.

Note 2: Total shares held by Shao Yang Investment Limited, Tang Ye Investment Co., Ltd., and Wen You Investment Co., Ltd.

Note 3: The total number of shares held by Cheng, Wen-Tsung, Hsu, Wen-Hung and their minor children, Shao Yang Investment Limited, and Tang Ye Investment Co., Ltd.

Note 4: Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or managerial officers):

The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:

1. The three independent directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.

2. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
3. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
4. Over half of the directors in the Board of Directors do not concurrently serve as an employee or managerial officer.

2. Major shareholders of the institutional shareholders:

March 31, 2021

Name of corporate shareholder	Major shareholders of the corporate shareholders:	Shareholding ratio (%)
Wen You Investment Co., Ltd.	Hsu, Wen-Hung	82.95
	Cheng, Hui-Shan	7.21
	Cheng, Wen-Tsung	5.68
	Hsu, Pi-Chun	2.08
	Hsu, Wen-Ting	2.08

3. Professional Qualifications and Independence Analysis of Directors:

April 16, 2021

Qualifications Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists 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	11	12	
Cheng, Wen-Tsung			✓					✓	✓		✓	✓		✓	✓	0
Hsu, Wen-Hung			✓					✓	✓		✓	✓		✓	✓	0
Wen You Investment Co., Ltd. Representative: Cheng, Ken-Yi			✓	✓	✓	✓	✓	✓	✓		✓		✓	✓		2
Sung Kao, Hsin-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, Tien-Chong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kung, Ju-Chin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ding, Kung-Wha	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C..

## (II) Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

March 31, 2021

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Title	Name	Relationship	
					Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio						
President	ROC	Cheng, Wen-Tsung	Male	1993.12.23	28,177,112	3.56%	8,406,543	1.06%	79,460,307 (Note 1)	10.04%	Department of Industrial Engineering, Tunghai University Chairperson, WT Microelectronics Co., Ltd.	Please refer to pages 18-19	Senior Vice President	Hsu, Wen-Hung	Spouse	Note 2
					0	0%	0	0%	0	0%						
Senior Vice President	ROC	Hsu, Wen-Hung	Female	2005.02.01	8,356,543	1.06%	28,227,112	3.57%	79,460,307 (Note 1)	10.04%	National Chengchi University Senior Vice President, WT Microelectronics Co., Ltd.	Please refer to pages 19	Chairman and President	Cheng, Wen-Tsung	Spouse	None
					0	0%	0	0%	0	0%						
Senior Vice President	ROC	Jack Yang	Male	2000.03.01	1,012,155	0.13%	2,341	0.00%	0	0%	National Chin-Yi University of Technology Senior Vice President, WT Microelectronics Co., Ltd. Texas Instruments Incorporated	None	None	None	None	None
					0	0%	0	0%	0	0%						
Senior Vice President	ROC	James Wen	Male	2004.01.01	427,746	0.05%	194,556	0.02%	0	0%	Tungnan University Senior Vice President, WT Microelectronics Co., Ltd. Xingqiang Electronics Co., Ltd.	None	None	None	None	None
					0	0%	0	0%	0	0%						
Senior Vice President	ROC	Rick Chang	Male	2012.01.01	225,070	0.03%	17,423	0.00%	0	0%	China University of Science and Technology Senior Vice President, WT Microelectronics Co., Ltd. DFI Inc.	None	None	None	None	None
					0	0%	0	0%	0	0%						

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio	Number of common shares	Shareholding ratio			Title	Name	Relationship	
					Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio	Number of preferred shares	Shareholding ratio						
Vice President	ROC	Willie Sun	Male	2005.08.01	476,543	0.06%	26,403	0.00%	0	0%	Ph.D., National Central University Vice President, WT Microelectronics Co., Ltd. Lecturer, Kuang Wu Institute of Technology	None	None	None	None	
					0	0%	0	0%	0	0%						
Vice President and CFO	ROC	Yang, Hsing-Yu	Female	2008.04.11	337,336	0.04%	0	0%	0	0%	Master of Accounting, Soochow University Vice President and Chief Accountant, WT Microelectronics Co., Ltd.	Supervisor, Wonchang Semiconductor Co., Ltd. Supervisor, WT Technology Korea Co., Ltd. Supervisor, Analog World Co., Ltd. Supervisor, Nuvision Technology Inc.	None	None	None	None
					0	0%	0	0%	0	0%						
Assistant Vice President and Finance Supervisor	ROC	Jason Lu	Male	2007.06.01	474,800	0.06%	0	0%	0	0%	Master of Finance, National Taiwan University of Science and Technology Assistant Vice President and Finance Supervisor, WT Microelectronics Co., Ltd. Junior Manager, Jih Sun International Bank	None	None	None	None	None
					0	0%	0	0%	0	0%						

Note 1: The total number of shares in the shareholding percentage was based on the total number of shares issued at 926,276,850 shares as of March 30, 2021.

Note 2: Total shares held by Shao Yang Investment Limited, Tang Ye Investment Co., Ltd., and Wen You Investment Co., Ltd.

Note 3: Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or managerial officers):

The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training

suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:

1. The three independent directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.
2. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
3. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
4. Over half of the directors in the Board of Directors do not concurrently serve as an employee or managerial officer.

### (III) Remunerations to directors, supervisors, president, and vice presidents in recent years

#### 1. Remuneration to directors and independent directors

Title	Name	Director's remuneration				Ratio of total remuneration (A+B+C+D) to net income after tax (Note 10)	Pay received as an employee				Ratio of total compensation (A + B+ C+ D+ E+ F+ G) to net income after tax (Note 10)	Remuneration received from invested companies other than subsidiaries or the parent company (Note 11)									
		Remuneration (A) (Note 2)	Pension (B)		Remuneration to directors (C) (Note 3)		Business expense (D) (Note 4)		Salary, bonus and special allowance (E) (Note 5)	Pension (F)			Employee compensation (G) (Note 6)								
															The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company
Regular Directors	Cheng, Wen-Tsung	0	0	0	0	NT\$6,000,000	NT\$6,000,000	0	0.16%	0.16%	NT\$24,205,000	NT\$24,205,000	NT\$28,000	NT\$28,000	0	0	0	0	0.80%	0.80%	None
	Hsu, Wen-Hung																				
	Wen You Investment Co., Ltd.																				
	Representatives: Cheng, Ken-Yi																				
	Sung Kao, Hsin-Ming																				
Independent Director	Cheng, Tien-Chong	NT\$1,177,000	NT\$1,177,000	0	0	NT\$4,500,000	NT\$4,500,000	0	0	0.15%	0.15%	0	0	0	0	0	0	0	0.15%	0.15%	None
	Kung, Ju-Chin																				
	Lin Che-Wei																				
	Ding, Kung-Wha																				



\*1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

## Remuneration Bracket Table for Directors and Independent Directors

Range of remuneration paid to each director	Name of director			
	Total amount of (A+B+C+D)		Total amount of (A+B+C+D+E+F+G)	
	The Company (Note 6)	All Consolidated Entities (I) (Note 7)	The Company (Note 6)	All Consolidated Entities (J) (Note 7)
Less than NT\$1,000,000	Independent Directors: Lin Che-Wei	Independent Directors: Lin Che-Wei	Independent Directors: Lin Che-Wei	Independent Directors: Lin Che-Wei
NT\$1,000,000 (incl) - NT\$2,000,000 (excl)	Directors: Cheng, Wen-Tsung, Hsu, Wen-Hung, Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi and Sung Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, and Ding, Kung-Wha	Directors: Cheng, Wen-Tsung, Hsu, Wen-Hung, Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi and Sung Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, and Ding, Kung-Wha	Directors: Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi and Sung Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, and Ding, Kung-Wha	Directors: Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi and Sung Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, and Ding, Kung-Wha
NT\$2,000,000 (incl) - NT\$3,500,000 (excl)				
NT\$3,500,000 (incl) - NT\$5,000,000 (excl)				
NT\$5,000,000 (incl) - NT\$10,000,000 (excl)				
NT\$10,000,000 (incl) - NT\$15,000,000 (excl)			Directors: Hsu, Wen-Hung	Directors: Hsu, Wen-Hung
NT\$15,000,000 (incl) - NT\$30,000,000 (excl)			Directors: Cheng, Wen-Tsung	Directors: Cheng, Wen-Tsung
NT\$30,000,000 (incl) - NT\$50,000,000 (excl)				
NT\$50,000,000 (incl) - NT\$100,000,000 (excl)				
NT\$100,000,000 and above				
Total	8	8	8	8

Note 1: Director remuneration (including remuneration of independent directors and Remuneration Committee members) in the most recent year (2020). Independent Director Lin, Che-Wei resigned on February 20, 2020.

Note 2: Refers to the amount of remuneration to directors as approved by the Board of Directors for the most recent year, on February 25, 2021, the Board of Directors passed the 2020 directors remuneration of NT\$10,500,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 3: All pays to the director who is also an employee of the Company, including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year (2020). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. Furthermore, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. In addition, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 4: Refers to the employees' compensation (including stocks and cash) received by a director who is also an employee (including the position held concurrently as president, vice President, other executive officers, or an employee) for the most recent year (2020), on February 25, 2021, the Board of Directors passed the 2020 employees' compensations

of NT\$42,800,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 5: The total pay to the directors from all companies in the consolidated statements (including the Company).

Note 6: Refers to the total remuneration paid to each director by the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.

Note 7: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each director of the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.

Note 8: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$3,794,178,000 in the standalone financial statements for the most recent year (2020).

Note 9: a. This column is for the amount of relevant remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company.

b. Where the Company's directors received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.

\* The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

2. Remuneration to supervisors: N/A.

3. Remunerations to the president and vice presidents

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonus and special allowance (C) (Note 3)		Employee compensation(D ) (Note 4)				Ratio of total remuneration (A+B+C+D) to net income after tax (Note 8)		Remuneration received from invested companies other than subsidiaries or the parent company (Note 9)
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company		All Consolidated Entities (Note 5)		The Company	All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Cheng, Wen- Tsung	NT\$37,126,000	NT\$37,126,000	NT\$449,000	NT\$449,000	NT\$39,000,000	NT\$39,000,000	0	0	0	0	2.02%	2.02%	None
Senior Vice President	Hsu, Wen- Hung													
Senior Vice President	Jack Yang													
Senior Vice President	James Wen													
Senior Vice President	Rick Chang													
Vice President	Willie Sun													
Vice President	Yang, Hsing-Yu													

## Remuneration Bracket Table for President and Vice Presidents

Range of remuneration paid to president and vice presidents	Names of president and vice presidents	
	The Company (Note 6)	All Consolidated Entities (E) (Note 7)
Less than NT\$1,000,000		
NT\$1,000,000 (incl) - NT\$2,000,000 (excl)		
NT\$2,000,000 (incl) - NT\$3,500,000 (excl)		
NT\$3,500,000 (incl) - NT\$5,000,000 (excl)		
NT\$5,000,000 (incl) - NT\$10,000,000 (excl)	Hsu, Wen-Hung, Willie Sun, and Yang, Hsing-Yu	Hsu, Wen-Hung, Willie Sun, and Yang, Hsing-Yu
NT\$10,000,000 (incl) - NT\$15,000,000 (excl)	Cheng, Wen-Tsung, James Wen, Jack Yang, and Rick Chang	Cheng, Wen-Tsung, James Wen, Jack Yang, and Rick Chang
NT\$15,000,000 (incl) - NT\$30,000,000 (excl)		
NT\$30,000,000 (incl) - NT\$50,000,000 (excl)		
NT\$50,000,000 (incl) - NT\$100,000,000 (excl)		
NT\$100,000,000 and above		
Total	7	7

Note 1: The names of the president and vice presidents shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. Fill out this table and the remuneration table for directors and independent directors if the director is also the president or vice president.

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the president or vice president in the most recent year (2020).

Note 3: Refers to the remuneration paid to the president or vice president, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other remuneration in kind, other compensations, etc., in the most recent year (2020). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. Furthermore, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. In addition, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 4: Refers to the amount of compensation distributed to the president and vice presidents approved by the Board of Directors in the most recent year; on February 25, 2021, the Board of Directors passed the 2020 employees' compensations of NT\$42,800,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 6: Refers to the total remunerations paid to each president and vice president by the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.

Note 7: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each president and vice president of the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.

Note 8: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$3,794,178,000 in the standalone financial statements for the most recent year (2020).

Note 9: a. This column is for the amount of relevant remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company.

- b. Where the Company's president and vice president received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
  - c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.
- \* The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

4. Names of executive officers that received employee bonuses and status of the distribution

December 31, 2020

	Title	Name	Stock (Note 1)	Cash (Note 1)	Total	Ratio accounted compared to the total net income (%) (Note 2)
Executive officers	President	Cheng, Wen-Tsung	0	0	0	0%
	Senior Vice President	Hsu, Wen-Hung				
	Senior Vice President	Jack Yang				
	Senior Vice President	James Wen				
	Senior Vice President	Rick Chang				
	Vice President	Willie Sun				
	Vice President and CFO	Yang, Hsing-Yu				
	Assistant Vice President and Finance Supervisor	Jason Lu				

Note1: Refers to the amount of employee compensation distributed to executive officers approved by the Board of Directors (on February 25, 2021) in the most recent year; the total amount of the proposed employee compensation for distribution was NT\$42,800,000, and the proposed amount to be distributed in 2020 is tentatively estimated based on the calculation principle of last year's actual distribution.

Note2: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$3,794,178,000 in the standalone financial statements for the most recent year (2020).

(IV) Compare and describe separately the analysis of total remunerations paid to the Company's directors, president, and vice presidents for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks.

Title	2019				2020			
	Total amount of remuneration (Unit: NT\$ thousands)		Ratio of the total amount to net income after tax (%) (Note)		Total amount of remuneration (Unit: NT\$ thousands)		Ratio of the total amount to net income after tax (%) (Note)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Directors	10,500	10,500	0.42	0.42	11,677	11,677	0.31	0.31
Supervisor	0	0	0	0	0	0	0	0
President and Vice Presidents	65,525	65,525	2.59	2.59	76,575	76,575	2.02	2.02
Total	76,025	76,025	3.01	3.01	88,252	88,252	2.33	2.33

Note: The Company's 2019 net income after tax was NT\$2,530,940,000 and the 2020 net income after tax was NT\$3,794,178,000.

1. The Company has specified in Article 19 of the Articles of Association that if there is any profit in the current year, it shall contribute no less than 1% to the employee's remuneration and no more than 3% to the directors' remuneration. The amount to be contributed shall be reviewed by the Remuneration Committee, and then submitted to the Board of Directors for discussion and approval, and shall be reported to the Annual Shareholders' Meeting.
2. The Company's procedures for determining the remuneration of directors, president and vice presidents use the "Remuneration Committee Charter", "Rules for Board of Directors Performance Assessments" and "Regulations Governing Compensation Payment of Executive Officers" as the basis of evaluation. For the remuneration of directors, besides referring to results of director performance evaluations (grasp of company targets and missions, understanding of a director's role and responsibilities, level of participation in company operations, internal relationship management and communications, a director's training and continuous development, and internal control), the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance



and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation. Performance evaluation and remuneration for managerial officers, including the president and vice presidents, follow the Regulations Governing Compensation Payment of Executive Officers. The evaluation criteria include the absence of any moral risk incident or any other incident that might have a negative impact on the company's image or reputation, or inadequate internal management or fraud. Evaluation and remuneration shall also take into account the general pay levels in the industry, individual performance evaluation results, the time invested by an individual and his/her responsibilities, the extent of goal achievement, performance in other positions, and remuneration paid to employees in similar positions in recent years. Other factors include the reasonableness of the correlation between an individual's performance and the company's business results and future risk exposures with respect to the achievement of short- and long-term business targets and the company's financial position. The content and reasonableness of the remuneration are reviewed by the Remuneration Committee and submitted to the Board for discussion and approval. The remuneration system is reviewed in a timely manner depending on the operational status and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operation and risk control.

3. The Company's remuneration policy considers the Company's current financial status, operating results and future capital utilization needs for overall planning. Future risk assessment is also included in the scope of consideration to minimize the possibility of risk occurrence. As of the annual report publication date, there are no existing matters that will cause the Company to potentially bear any responsibility, obligation or liability in the future.

### III. Implementation of corporate governance

#### (I) Board of Directors:

In the most recent year (2020), the Board of Directors had 9 meetings [A] and the average attendance rate over all directors was 97%. The attendance of directors and supervisors is as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance in person (%) [B/A]	Notes
Chairperson	Cheng, Wen-Tsung	9	0	100%	Re-elected on June 21, 2019
Directors	Hsu, Wen-Hung	9	0	100%	Re-elected on June 21, 2019
Director	Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi	8	1	89%	Corporate directors were re-elected on June 21, 2019.
Directors	Sung Kao, Hsin-Ming	9	0	100%	Re-elected on June 21, 2019
Independent Director	Cheng, Tien-Chong	9	0	100%	Re-elected on June 21, 2019
Independent Director	Kung, Ju-Chin	9	0	100%	Re-elected on June 21, 2019
Independent Director	Lin Che-Wei	3	0	75%	Re-elected on June 21, 2019, and resigned on February 20, 2020
Independent Director	Ding, Kung-Wha	4	0	100%	Elected to fill vacancy on March 27, 2020

#### Attendance of independent directors in the 9 Board meetings in 2020:

Independent Directors	2020								
	1st meeting	2nd meeting	3rd meeting	4th meeting	5th meeting	6th meeting	7th meeting	8th meeting	9th meeting
Cheng, Tien-Chong	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person
Kung, Ju-Chin	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person
Lin Che-Wei	Attendance in Person	Attendance in Person	Attendance in Person	On Leave	N/A	N/A	N/A	N/A	N/A
Ding, Kung-Wha	N/A	N/A	N/A	N/A	N/A	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person

**Other matters that require reporting:**

I. If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

(I) Matters referred to in Article 14 -3 of the Securities and Exchange Act

Date and term	Agenda
7th meeting of 9th board January 2, 2020	1. 2019 executive officers' year-end and performance bonus payment. 2. 2020 executive officers' salary compensation payment. 3. Proposal for appointment of CPA and independence assessment. 4. Proposal to provide associated guarantees for the subsidiary, WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks. 5. Proposal to continue providing joint guarantee for the subsidiary, WT Microelectronics (Shenzhen) Co., Ltd., WT Microelectronics (Shanghai) Co., Ltd., WT Technology Korea Co., Ltd., and Wonchang Semiconductor Co., Ltd., to obtain credit line from banks.
10th meeting of 9th board February 15, 2020	1. Proposal to release the non-competition restriction on Directors. 2. Proposal to make a donation to the "WT Education Foundation." 3. Amendments to the Procedures for Acquisition or Disposal of Assets. 4. Private Placement of Class B preferred shares and/or Class C preferred shares. 5. Private Placement of common shares. 6. Issuance of common shares to increase capital via book building. 7. Issuance of new restricted employee shares.
11th meeting of 9th board February 21, 2020	Proposal to increase capital by issuing consideration shares in a stock swap for accepting new shares of ASMedia Technology Inc.
12th meeting of 9th board May 11, 2020	1. Appointment of one member to fill a vacancy on the 4th Remuneration Committee. 2. Proposal for 2019 director remuneration distribution. 3. Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Hong Kong) Limited, WT Solomon QCE Limited, and WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.
13th meeting of 9th board July 2, 2020	1. Proposal to acquire by cash all shares of Analog World Co., Ltd. ("AWC"), and proposal to transferred the semiconductor product distribution business of Analog TechSystems, Inc. ("ATS") and Analog Devices, Inc. ("ADI") of Analogtechsys Limited ("ATL") to the subsidiary Morrihan International Corp. ("Morrihan International"). 2. Proposal for capital increase by cash issue of Class A

		preferred shares. 3.Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shenzhen) Co., Ltd. and WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.
14th meeting of 9th board August 7, 2020		1.Proposal to implement employee stock ownership trusts and incentives for managerial participation in employee stock ownership trusts. 2.Establishment of the "2020 Employee Stock Subscription Regulations for Cash Issue of Class A Preferred Shares" and the 2020 List of Management Subscriptions of Cash Issue of Class A Preferred Shares. 3.Proposal to amend the Internal Control System. 4.Proposal to continue providing associated guarantees for the subsidiary, WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.
15th meeting of 9th board November 6, 2020		1.Proposal for remuneration of independent directors on the 9th board. 2.Appointment of members of the 1st Risk Management Committee. 3.Proposal to continue providing associated guarantees for the subsidiaries, Morrihan Singapore Pte. Ltd., WT Microelectronics (Shanghai) Co., Ltd., and Morrihan International Corp., to obtain a credit line from banks or manufacturers.
Resolutions: Passed as proposed after the chairperson consulted all attending directors. Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A.		

(II) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: No such incident occurred.

II. Details, including names of directors, proposals, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

Details of directors absenting themselves due to conflict of interest in 2020		
Date	Agenda	Name of recused director
January 2, 2020	1.2019 executive officers' year-end and performance bonus payment. 2.2020 executive officers' salary compensation payment. 3.To provide associated guarantees for subsidiaries to obtain a credit line from banks. 4.To continue providing associated guarantees for subsidiaries to obtain a credit line from banks.	Cheng, Wen-Tsung and Hsu, Wen-Hung
February 15, 2020	To release the non-competition restriction on Directors.	Sung Kao, Hsin-Ming

	Proposal to make a donation to the "WT Education Foundation."	Cheng, Wen-Tsung and Hsu, Wen-Hung
May 11, 2020	Appointment of one member to fill a vacancy on the 4th Remuneration Committee.	Ding, Kung-Wha
	Proposal for 2019 director remuneration distribution.	Cheng, Wen-Tsung, Hsu, Wen-Hung, Cheng, Ken-Yi, Sung Kao, Hsin-Ming, Cheng, Tien-Chong, Kung, Ju-Chin, and Ding, Kung-Wha
	To continue providing associated guarantees for subsidiaries to obtain a credit line from banks.	Cheng, Wen-Tsung and Hsu, Wen-Hung
July 2, 2020	To continue providing associated guarantees for subsidiaries to obtain a credit line from banks.	Cheng, Wen-Tsung and Hsu, Wen-Hung
August 7, 2020	1. Proposal to implement employee stock ownership trusts and incentives for managerial participation in employee stock ownership trusts. 2. Establishment of the "2020 Employee Stock Subscription Regulations for Cash Issue of Class A Preferred Shares" and the 2020 List of Management Subscriptions of Cash Issue of Class A Preferred Shares. 3. To continue providing associated guarantees for subsidiaries to obtain a credit line from banks.	Cheng, Wen-Tsung and Hsu, Wen-Hung
November 6, 2020	Proposal for remuneration of independent directors on the 9th board.	Cheng, Tien-Chong, Ding, Kung-Wha, and Kung, Ju-Chin
	Appointment of members of the 1st Risk Management Committee.	Ding, Kung-Wha, Cheng, Tien-Chong, Kung, Ju-Chin, Cheng, Wen-Tsung, and Hsu, Wen-Hung
	To continue providing associated guarantees for subsidiaries to obtain a credit line from banks or manufacturers.	Cheng, Wen-Tsung and Hsu, Wen-Hung
<p>Reason for recusal: The directors recused themselves from the proposals above where they had a conflict of interest in accordance with Article 15 of the Company's "Rules of Procedure for Board of Directors' Meetings".</p> <p>Participation in voting: Directors with conflict of interest excused themselves in accordance with the law. The proposals were passed as proposed after the acting chairperson consulted with all attending directors.</p>		

### III. Implementation of self-evaluations by the Company's Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2020.1.1-12.31	Board of Directors	Board self evaluation (organizer evaluation)	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company.</li> <li>2. Improvement of the quality of the board of directors' decision making.</li> <li>3. Composition and structure of the board of directors.</li> <li>4. Selection and continuing education of directors.</li> <li>5. Internal control.</li> </ol>
Once a year	2020.1.1-12.31	Individual board members	Board member self assessment	<ol style="list-style-type: none"> <li>1. Familiarity with the goals and missions of the company.</li> <li>2. Awareness of the duties of a director.</li> <li>3. Participation in the operation of the company.</li> <li>4. Management of internal relationship and communication.</li> <li>5. Professionalism and continuing education of directors.</li> <li>6. Internal control.</li> </ol>
Triennially	2020.1.1-12.31	Board of Directors	<p>Hired an external professional institutions, Taiwan Institute of Ethical Business and Forensics, to conduct the assessment by the following methods:</p> <ol style="list-style-type: none"> <li>1. Review documents on board meeting minutes and on corporate governance related internal guidelines and documents.</li> <li>2. All board members completed individual self assessment questionnaires.</li> <li>3. Onsite interviews with directors.</li> <li>4. Present board performance evaluation reports.</li> </ol>	<p>Assessment in 4 aspects:</p> <ol style="list-style-type: none"> <li>1. The Board's professional competencies.</li> <li>2. The Board's decision making performance.</li> <li>3. The Board's attention to and oversight of internal control.</li> <li>4. The Board's attitude toward CSR.</li> </ol>

### IV. Evaluation of targets to enhance the role of the board and performance in the current year and last year:

(I) In addition to providing relevant laws and regulations to directors whenever necessary,

the Company shall report the Company's current business status at the time of the board meeting, and prepare related information and assign personnel for directors' inquiry.

- (II) The Company actively provides information on various types of continuous education courses and encourages directors to participate in various corporate governance courses, or the Company irregularly holds such courses, in order to strengthen the competencies of the Board members. In 2020, 7 directors received continuing education for a total of 65.5 hours.
- (III) The Company adheres to the operational transparency and safeguards shareholders' equity, and actively discloses relevant information such as important resolutions of the Board of Directors on the Company's website.
- (IV) In order to implement corporate governance and enhance the function of the Board of Directors for the purpose of establishing performance targets and strengthening the efficiency of the Board of Directors, the Company completed the enactment of the "Regulations Governing the Board Performance Evaluation" on August 10, 2016. The Company amended the Regulations on August 7, 2020 to require external board evaluation be performed at least once every three years. The Company hired an external professional institutions, Taiwan Institute of Ethical Business and Forensics, to conduct the 2020 board evaluation. The institute and its experts were independent as they had no business relationship with the Company. The evaluation was performed through document review, questionnaire, and onsite interview in four aspects, the Board's professional competencies, the Board's decision making performance, the Board's attention to and oversight of internal control, and the Board's attitude toward CSR. The evaluation report was issued on February 4, 2021, and the recommendations of the report and measures to be taken were presented to the Board of Directors on February 25, 2021. The recommendations and improvement measures were as follows:
  - 1. Strengthening communication between the board members and the management team  
Recommendation: The corporate governance department could take initiative to summarize questions from individual directors and ask the management team to provide more information in order to give the directors a better understanding of the Company's operations.  
Improvement measure: The Company would increase the frequency of communication between the board members and the management team in the future in order to strengthen the partnership between the Board of Directors and the management team.
  - 2. The issue of the chairman serving concurrently as the highest level managerial officer  
Recommendation: The percentage of independent directors could be raised for now in the interest of corporate oversight.  
Improvement measure: The Company would consider whether to add one more independent director in the future.
  - 3. The evaluation subject had installed a risk management committee to ensure effective risk management.  
Recommendation: Risk management mechanisms should be implemented effectively through the risk management committee to ensure they would be enforced.  
Improvement measure: The risk management committee would be scheduled to meet at least once every six months to identify and monitor potential risks to the Company's sustainable development and to ensure normal operation of the risk management system.
  - 4. Strengthening the Board's attention to CSR  
Recommendation: The Board of Directors could conduct more discussions on CSR issues or have external consultants introduced.  
Improvement measure: The CSR campaigns and results, including status of

stakeholder communication, would be presented to the Board of Directors at least once a year.

- (V) After the reelection of directors and supervisors during the Annual Shareholders' Meeting on June 21, 2019, the Audit Committee was established to replace supervisors and strengthen Board functions.

(II) Operation of the Audit Committee:

1. Key tasks

The Audit Committee consists of 3 independent directors. The mission of the Audit Committee is to assist the Board of Directors in performing its duty to oversee the accounting, audit, and financial reporting processes in the Company and the quality and integrity of its audits. Key tasks for 2020:

- (2) Financial statement audits and financial forecast.
- (3) Review of evaluation and audit plans for reviewing the effectiveness of the internal control system.
- (4) Review of loans of funds, endorsements, or provision of guarantees of a material nature.
- (5) Review of proposals involving conflicts of interest.
- (6) Review of offering, issuance, or private placement of equity-type securities.
- (7) Review of certifying CPA appointments.
- (8) Review of amendments of the Audit Committee Charter.

2. In the most recent year (2020), the Audit Committee convened 7 meetings [A], and the attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance rate [B/A](%)	Notes
Independent Director	Cheng, Tien-Chong	7	0	100%	
Independent Director	Kung, Ju-Chin	7	0	100%	
Independent Director	Lin Che-Wei	1	0	50%	Resigned on February 20, 2020
Independent Director	Ding, Kung-Wha	4	0	100%	Elected to fill vacancy on March 27, 2020

**Other matters that require reporting:**

- I. If any of the following circumstances occurs in the operation of the Audit Committee, the date, period, content of the proposals, the Audit Committee's resolution, and the Company's handling of Audit Committee members' opinions shall be stated:

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

Term and date	Agenda	Audit Committee's resolution	Audit Committee members' opinions:	The Company's handling of Audit Committee members' opinions:
3rd meeting of 1st committee January 2, 2020	1. Proposed appointment of CPA and independence assessment. 2. Proposal to provide associated guarantees for the subsidiary,	Passed as proposed after the chairperson	No dissenting or unqualified	N/A



		<p>WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.</p> <p>3. Proposal to continue providing joint guarantee for the subsidiary, WT Microelectronics (Shenzhen) Co., Ltd., WT Microelectronics (Shanghai) Co., Ltd., WT Technology Korea Co., Ltd., and Wonchang Semiconductor Co., Ltd., to obtain credit line from banks.</p>	consulted all attending members.	opinions	
	4th meeting of 1st committee February 15, 2020	<p>1. Proposal for the 2019 internal control system effectiveness assessment and internal control system statement.</p> <p>2. To release the non-competition restriction on Directors.</p> <p>3. Proposal to make a donation to the "WT Education Foundation."</p> <p>4. Amendments to the Procedures for Acquisition or Disposal of Assets.</p> <p>5. Private Placement of Class B preferred shares and/or Class C preferred shares</p> <p>6. Private Placement of common shares</p> <p>7. Issuance of common shares to increase capital via book building.</p> <p>8. Issuance of new restricted employee shares.</p> <p>9. The 2019 Business Report and Financial Statements.</p>	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A
	5th meeting of 1st committee February 21, 2020	1. The company increased capital by issuing consideration shares in a stock swap for accepting new shares of ASMedia Technology Inc.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A
	6th meeting of 1st committee May 11, 2020	1. Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Hong Kong) Limited, WT Solomon QCE Limited, and WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A
	7th meeting of 1st committee July 2, 2020	1. Proposal to acquire by cash all shares of Analog World Co., Ltd. ("AWC"), and proposal to transferred the semiconductor product distribution business of Analog TechSystems, Inc. ("ATS") and Analog Devices, Inc. ("ADI") of Analogtechsys	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A

	<p>Limited ("ATL") to the subsidiary Morrihan International Corp. ("Morrihan International").</p> <p>2. Proposal for capital increase by cash issue of Class A preferred shares.</p> <p>3. Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shenzhen) Co., Ltd. and WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.</p>			
8th meeting of 1st committee August 7, 2020	<p>1. Proposal to amend the Internal Control System.</p> <p>2. Proposal to continue providing associated guarantees for the subsidiary, WT Microelectronics (Shanghai) Co., Ltd., to obtain a credit line from banks.</p>	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A
9th meeting of 1st committee November 6, 2020	<p>1. Proposal for the 2021 audit plan.</p> <p>2. Proposal to continue providing associated guarantees for the subsidiaries, Morrihan Singapore Pte. Ltd., WT Microelectronics (Shanghai) Co., Ltd., and Morrihan International Corp., to obtain a credit line from banks or manufacturers.</p>	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions	N/A

- (II) Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: No such incident occurred.
- II. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for recusal, and participation in voting: None.
- III. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):
- (I) Independent directors and the chief internal auditor contacted and communicate with each other via e-mail, telephone or meetings as needed. Any material abnormal events should be reported to the independent directors or prompt a meeting to be convened. Communication channels are diverse and open. The Company submitted the audit report or follow-up report of the previous month in writing to independent directors for review. Independent directors gave responses or opinions based on the necessity of the report. The chief auditor of the Company attended regularly the quarterly meetings of the Audit Committee, and reported audits performed and the results to the independent directors. The communication records in 2020 are summarized as follows:

Date	Communication method	Communication subject	Recommendations and results
February 15, 2020	Meeting	Communication regarding the audited 2019 consolidated financial statements with the governance departments	No opinions
	Audit Committee	2019 internal control system effectiveness assessment and internal control system statement	No opinions. Submitted to the Board of Directors for discussion.
August 7, 2020	Meeting	Communication regarding the approved 2020 Q2 consolidated financial statements with the governance departments	No opinions
	Audit Committee	Modification of the internal control system	No opinions. Submitted to the Board of Directors for discussion.
November 2, 2020	Email	Communication regarding the 2021 internal audit plan and agenda planning	No opinions
November 6, 2020	Meeting	Communication regarding the approved 2020 Q3 consolidated financial statements with the governance departments	No opinions
	Audit Committee	1. Audit report July - September 2020 2. 2021 internal audit plan	1. No opinions. Moved to be presented to the Board of Directors. 2. No opinions. Submitted to the Board of Directors for discussion.

- (II) In addition to reporting to independent directors for the audit or review of financial reports, the Company's CPAs hold at least one legal advocacy briefing at the Company each year to update the financial and taxation laws and the response measures for the corresponding impacts. In normal times, independent directors and CPAs can communicate with each other via e-mail, telephone or meeting at any time as needed. The Company's independent directors communicated well with CPAs. The communication records in 2020 are summarized as follows:

	Date	Main Points of Communication	Independent Directors' Opinions
	February 10, 2020	<ul style="list-style-type: none"> <li>● Explaining the findings and results of the review of the 2019 consolidated and standalone financial reports and communicating key review matters.</li> <li>● Responding to and discussing the issues raised by the participants.</li> </ul>	Independent Directors had no opinions and suggestions.
	May 11, 2020	<ul style="list-style-type: none"> <li>● Explaining the findings and results of the review of the 2020 Q1 consolidated financial report.</li> <li>● Responding to and discussing the issues raised by the participants.</li> </ul>	Independent Directors had no opinions and suggestions.
	August 7, 2020	<ul style="list-style-type: none"> <li>● Explaining the findings and results of the review of the 2020 Q2 consolidated financial report.</li> <li>● Responding to and discussing the issues raised by the participants.</li> </ul>	Independent Directors had no opinions and suggestions.
	November 6, 2020	<ul style="list-style-type: none"> <li>● Explaining the findings and results of the review of the 2020 Q3 consolidated financial report.</li> <li>● Responding to and discussing the issues raised by the participants.</li> </ul>	Independent Directors had no opinions and suggestions.

(III) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons:

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		In order to establish a good corporate governance system, the Company's Board of Directors passed the "Corporate Governance Best Practice Principles" on December 1, 2014, and revised the Principles on July 11, 2016, May 11, 2018, August 8, 2019, August 7, 2020, and February 25, 2021. The Principles are disclosed on the Market Observation Post System and the Company's website ( <a href="http://www.wtmec.com">www.wtmec.com</a> ) for download.	Operations are in compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	✓		(I) In addition to the stock affairs agency, the Company also, in accordance with internal operating procedures, obliges investor relations (spokesperson or deputy spokesperson), stock affairs, legal and other relevant departments to properly handle matters such as shareholders' suggestions, doubts, disputes and litigation, and respond appropriately. In addition, the Company's website also has a stakeholder section and a shareholders contact person for shareholders/investors to make suggestions or ask questions.	No difference.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(II) The Company keeps track of directors, executive officers and major shareholders with more than 10% shares, and keeps track of the list of major shareholders and their ultimate controllers through the previous register of shareholders as much as possible. In addition, the dedicated stock affairs and investor relation units shall maintain good interaction with major shareholders and pay attention to important issues that may cause changes in shares.	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	✓		(III) The Company clearly defines the division of authority and responsibilities between the Company and affiliated enterprises, in order to supervise affiliated enterprises in accordance with regulations such as the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," "Regulations Governing Establishment of Internal Control Systems by Public Companies," "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies " and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," etc., the Company formulated the relevant regulations such as the Group's "Corporate Governance Best Practice Principles," "Internal Control Systems," "Operation Procedures for Loaning of Funds and Making of Endorsements/Guarantees," "Procedures for Acquisition and Disposal of Assets," "Regulations Governing Monitoring of Subsidiaries," " Regulations Governing Subsidiaries' Operations," " Operation Procedures for Transactions between Group Enterprises, Related Parties and Specific Company," etc. The Company constructs appropriate firewalls based on risk assessment for continual implementation and control.	No difference.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) In addition to complying with the requirements of the Securities and Exchange Act, the Company's employees, executive officers, and directors shall also follow the Company's " Code of Ethical Conduct"," Procedures for Handling Material Inside Information"," Procedures for Ethical Management and Guidelines for Conduct", etc. Relevant personnel shall not engage in insider trading using the undisclosed information they know, nor may they disclose it to others in order to	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			prevent others from using the undisclosed information to engage in insider trading.	
III. Composition and duties of the board of directors (I) Does the board of directors develop and implement a diversified policy for the composition of its members?	✓		(I) The Company has established a diversification policy of board members in Article 20 of the "Corporate Governance Best Practice Principles". In addition to the requirement that no more than one third of the directors may serve concurrently as the Company's managers, an appropriate diversity policy based on the Company's business operations, operating dynamics, and development needs should be formulated. It is advisable that the policy includes, without being limited to, the following two general standards: 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. Each board member shall have the necessary knowledge, skill, and experience to perform his/her duties. To achieve an ideal level of corporate governance, the Board of Directors should be equipped with the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to manage a business. 4. Ability to handle crisis management. 5. Industry knowledge.	No difference.

Evaluation Item	Implementation status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons										
	Yes	No		Summary									
			<p>6. An understanding of international markets. 7. Leadership ability. 8. Decision-making ability.</p> <p>The current Board of Directors consists of seven directors, including four directors and three independent directors. Three, or 43%, of the directors are female. The management goals for the board diversity policy and the progress are as follows:</p> <table><tr><th>Diversity management goal</th><th>Progress</th></tr><tr><td>No more than one third of the directors may serve concurrently as the Company's managers.</td><td>Completed</td></tr><tr><td>Attention to gender equality in board composition with 33% or more of the directors being female.</td><td>Completed</td></tr><tr><td>No independent director serving more than three terms.</td><td>Completed</td></tr><tr><td>An adequate level of diversity in professional knowledge and skills and professional backgrounds.</td><td>Completed</td></tr></table>	Diversity management goal	Progress	No more than one third of the directors may serve concurrently as the Company's managers.	Completed	Attention to gender equality in board composition with 33% or more of the directors being female.	Completed	No independent director serving more than three terms.	Completed	An adequate level of diversity in professional knowledge and skills and professional backgrounds.	Completed
Diversity management goal	Progress												
No more than one third of the directors may serve concurrently as the Company's managers.	Completed												
Attention to gender equality in board composition with 33% or more of the directors being female.	Completed												
No independent director serving more than three terms.	Completed												
An adequate level of diversity in professional knowledge and skills and professional backgrounds.	Completed												



Evaluation Item	Implementation status							Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																																																																												
	Yes	No	Summary																																																																																	
			<div>Implementation of the board diversity policy is as follows:</div> <table> <tr> <th rowspan="3">Diversification item  Name of director</th> <th colspan="7">Composition</th> </tr> <tr> <th rowspan="2">Gender</th> <th rowspan="2">Serving as the Company's employee</th> <th colspan="2">Age distribution</th> <th colspan="3">Year(s) as independent director</th> </tr> <tr> <th>Below 60</th> <th>61 to 69</th> <th>3 years or less</th> <th>3 to 9 years</th> <th>9 years or more</th> </tr> <tr> <td>Cheng, Wen-Tsung</td> <td>Male</td> <td>V</td> <td>V</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hsu, Wen-Hung</td> <td>Female</td> <td>V</td> <td>V</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cheng, Ken-Yi</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sung Kao, Hsin-Ming</td> <td>Female</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cheng, Tien-Chong</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Kung, Ju-Chin</td> <td>Female</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Ding, Kung-Wha</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> </table>					Diversification item  Name of director	Composition							Gender	Serving as the Company's employee	Age distribution		Year(s) as independent director			Below 60	61 to 69	3 years or less	3 to 9 years	9 years or more	Cheng, Wen-Tsung	Male	V	V					Hsu, Wen-Hung	Female	V	V					Cheng, Ken-Yi	Male			V				Sung Kao, Hsin-Ming	Female			V				Cheng, Tien-Chong	Male			V		V		Kung, Ju-Chin	Female		V			V		Ding, Kung-Wha	Male			V	V			
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Evaluation Item	Implementation status											Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons		
	Yes	No	Summary											
			Diversification item  Name of director	Professional background				Professional knowledge and skills						
				Accounting	Industry	Finance	Technology	Ability to make sound business judgments	Ability to manage a business	Leadership/Decision-making capability	Industry knowledge	An understanding of international markets	Accounting and financial analysis capability	Ability to respond to a crisis
			Cheng, Wen-Tsung		V		V	V	V	V	V			V
			Hsu, Wen-Hung		V	V		V	V	V	V	V	V	V
			Cheng, Ken-Yi	V		V		V	V	V		V	V	V
			Sung Kao, Hsin-Ming		V	V	V	V	V	V	V	V	V	V
			Cheng, Tien-Chong		V		V	V	V	V	V			V
			Kung, Ju-Chin	V		V		V	V	V		V	V	V
			Ding, Kung-Wha	V		V		V	V	V		V	V	V

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?	✓		(II) The Company had created the Remuneration Committee and the Audit Committee as required by law. In addition, the Board of Directors passed a resolution to create the Risk Management Committee on November 6, 2020. The resolution included the appointment of three independent directors, the chairman, and the CFO as committee members responsible for reviewing risk management on all levels of the Company's activities and reporting the status of risk management to the Board of Directors.	No difference.
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		(III) On August 10, 2016, the Board of Directors pass the "Rules for Board of Directors Performance Assessments", and amended it on August 7, 2020. The evaluation scope includes the performance evaluation of the Board of Directors, individual board members and functional committees. The evaluation method may include the internal evaluation of the Board of Directors, the self-evaluation of the board members, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation; the measurement items of the Board's performance evaluation include the following five aspects: 1. Participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Selection and continuing education of directors. 5. Internal control. The stock affairs unit is responsible for evaluating the overall performance of the Board of Directors at the end of a year, and the	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company regularly evaluate the independence of CPAs?	✓		<p>results will be used as a reference for future selection or nomination of directors and remuneration of directors. The 2020 overall board evaluation was completed at the beginning of 2021. The evaluation result was satisfactory, and the corporate governance criteria were met. In addition, the board members completed self-evaluation, and an external professional institution completed the board performance evaluation. The results were presented in a meeting of the Board of Directors on February 25, 2021. In order to continuously improve the Board's operating efficiency, the Company will consider expanding the performance evaluation to functional committees in the future, so as to ensure good corporate governance.</p> <p>(IV) The Company's accounting firm is PricewaterhouseCoopers Taiwan. The firm's independence policy requires all employees to complete the annual statement of compliance with independence and risk management policies regularly each year, and they must also self-inspect for any violation before accepting tasks. In addition, the Company has established independence evaluation items after referencing Article 47 of the Certified Public Accountant Act on independence, as well as the contents of "Integrity, Objectivity and Independence" in Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and assesses the independence of the accountant once a year.</p> <p>For the current year, the Board of Directors resolved on January 5, 2021 to pass the appointment of the CPAs and the independence evaluation. The evaluation items include reviewing whether the CPA and the person in charge of the Company or executive officers are a spouse,</p>	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			lineal blood relative, lineal affinity, or collateral blood relatives within second degree; whether the CPA or his/her spouse, minor children and the Company have investment or shared financial interests; whether the CPA or his/her spouse, minor children are employed by the Company to work as a regular employee, or to receive a fixed salary or serve as Directors and Supervisors, etc. The evaluation results showed that the CPAs, Man-Yu Juanlu and Han-Qi Wu, of PricewaterhouseCoopers Taiwan met all the Company's evaluation criteria of independence, and can serve as the Company's CPAs.	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and appoint a corporate governance supervisor to be responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		<p>In order to implement corporate governance, allow the Board of Directors to play its due role, and safeguard the rights and interests of investors, the Board of Directors on May 8, 2019 approved the appointment of Senior Vice President Hsu, Wen-Hung as the Company's corporate governance supervisor, which is the highest supervisor on the corporate governance related matters, and the stock affairs unit shall directly report to her. Senior Vice President Hsu, Wen-Hung is the Company's executive officer and has over 10 years of management experience in finance, stock affairs, or meeting agenda in public companies.</p> <p>Key responsibilities:</p> <ol style="list-style-type: none"> <li>1. Organize board meetings and general meetings according to the law.</li> <li>2. Compile board meeting and general meeting minutes.</li> <li>3. Help directors take office and participate in continuing education.</li> <li>4. Provide business information for directors as needed for performing their duties.</li> <li>5. Assist directors in complying with the law.</li> <li>6. Other duties pursuant to the Articles of Incorporation or other contracts.</li> </ol>	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																				
	Yes	No	Summary																					
			<div>Training completed by corporate governance officers in 2020:</div> <table><tr><th>Date</th><th>Organizer</th><th>Course Name</th><th>Hours</th></tr><tr><td>2020/07/17</td><td>Securities &amp; Futures Institute</td><td>From CSR to Insider Trading</td><td>3</td></tr><tr><td>2020/08/04</td><td>Corporate Operation Association</td><td>"Shareholders Rights - Management Rights Disputes and More"</td><td>3</td></tr><tr><td>2020/10/16</td><td>Taiwan Stock Exchange and Taipei Exchange</td><td>2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors</td><td>3</td></tr><tr><td>2020/11/20</td><td>Securities &amp; Futures Institute</td><td>Management of Cross-border Businesses and Corporate Governance for Offshore Offices</td><td>3</td></tr></table>	Date	Organizer	Course Name	Hours	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	2020/08/04	Corporate Operation Association	"Shareholders Rights - Management Rights Disputes and More"	3	2020/10/16	Taiwan Stock Exchange and Taipei Exchange	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3	2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3	
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2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3																					
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees,	✓		(I) The Company obliges the departments including investor relations, stock affairs, etc., to communicate with stakeholders, depending on the situation, and provides contact information of the spokesperson and various related business departments on the Company's website	No difference.																				

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
customers, and suppliers), and properly respond to corporate social responsibility issues of concern to the stakeholders?			( <a href="http://www.wtmec.com">www.wtmec.com</a> ), and the communication channel is smooth and open. In addition, the Company has established a stakeholders section to respond appropriately to the issues of concern to stakeholders (vendors/upstream suppliers, customers, shareholders/investors/banks, media, employees, suppliers/ outsourcers, government institutions/competent authorities, and community/non-government organizations). (II) The Group has employee communication channels, and employees can reflect their opinions via e-mail or writing.	
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the stock transfer agency of the Grand Fortune Securities Co., Ltd. to help handle the matters of the Company's Shareholders' Meetings.	No difference.
VII. Information disclosure (I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		(I) The Company has set up a company website ( <a href="http://www.wtmec.com">www.wtmec.com</a> ), and the Company's financial business and corporate governance status are irregularly disclosed and updated for access by investors.	No difference.
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle	✓		(II) The Company has set up webpages in three languages: Traditional Chinese, Simplified Chinese and English, and provides dedicated e-mail addresses for various businesses. In addition, the Company has established the "Procedures for Handling Material Inside Information" to provide a good internal material information processing and	No difference.

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?</p> <p>(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>	✓		<p>disclosure mechanism, and implement the spokesperson system. Investor relations and stock affairs units are responsible for the collection and disclosure of the Company's information. Besides announcing the monthly consolidated revenue, the Company also regularly holds investor conferences. All of these are disclosed on the Company's website to improve the Company's information transparency.</p> <p>(III) The Company announces and reports annual financial statements within two months after the end of each fiscal year, and announces and reports Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.</p>	No difference.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education	✓		<p>(I) For employee benefits and employee care, please refer to V. Employer/employee relations under Five.Business overview in the Company's 2020 annual report.</p> <p>(II) Investor relations, supplier relations, and rights of stakeholders: The Company has established the corporate social responsibilities related regulations such as "Corporate Governance Best Practice Principles", "Supplier Code of Conduct", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice</p>	No difference.



Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>Principles", "Procedures for Ethical Management and Guidelines for Conduct," etc., in order to implement corporate governance. Please refer to "Three. Corporate Governance Report III. Implementation of Corporate Governance (V) Fulfillment of social responsibility and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons" in the Company's 2020 annual report for more information.</p> <p>(III) Continuing education of directors: Continuing education courses taken by the Company's directors in 2020 are listed below and in compliance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", so that directors will fulfill their fiduciary duties and exercise the due care of a good administrator.</p>	

				<b>Title</b>	<b>Name</b>	<b>Date</b>	<b>Organizer</b>	<b>Course Name</b>	<b>Hours</b>	
				Chairperson	Cheng, Wen-Tsung	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
						2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3	
				Directors	Hsu, Wen-Hung	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
						2020/08/04	Corporate Operation Association	"Shareholders Rights - Management Rights Disputes and More"	3	
						2020/10/16	Taiwan Stock Exchange and Taipei Exchange	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3	
						2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3	
				Directors	Cheng, Ken-Yi	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
						2020/08/13	Corporate Operation Association	Business and M&A Strategies for Taiwanese Businesses in the Global Economic and Political Environment	3	
						2020/08/14	Corporate Operation Association	Overview of Due Diligence and Transaction Agreements in Corporate Mergers and Acquisitions	3	

			Directors	Sung Kao, Hsin-Ming	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
					2020/08/27	Fubon Securities Co., Ltd.	Securities Laws and Regulations for Insiders	3	
			Independent Director	Cheng, Tien-Chong	2020/01/16	Science & Technology Law Institute, Institute for Information Industry	Completing the Corporate Governance Framework with Intellectual Property Management - Intellectual Property Management Obligations of TWSE/TPEX Listed Companies	2.5	
					2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
					2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3	
			Independent Director	Kung, Ju-Chin	2020/05/19	Accounting Research and Development Foundation	Case Studies on Illegal Securities Trading by Fake Foreign Investors and the Legal Liability	3	
					2020/06/11	Accounting Research and Development Foundation	Business Performance Improvement by Introduction of AI and Blockchain	3	
					2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3	
					2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3	

Independent Director	Ding, Kung-Wha	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3
		2020/08/12	Taiwan Corporate Governance Association	Director and Supervisor Responsibilities in Mergers and Acquisitions - Hostile Takeovers	3
		2020/08/12	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3
		2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3

(IV) Implementation of risk management policies and risk measurement standards:

1. Risk management policy:

For the purpose of enforcing the Company's risk management mechanisms and strengthening corporate governance while reasonably assuring the Company's strategies, plans, and targets are achieved, the Board of Directors passed the risk management policy on January 5, 2021. The policy provides the top principles for risk management. The policy covers the purpose of management, the scope of risks, organizational structure and responsibilities, management procedures, risk categories, and risk management operations and implementation evaluation. Risks arising from the business activities are kept within the range of tolerance in order to achieve sustainability and stability.

2. Implementation of risk measurement standards:

All proposals involving the Company's important business policies, major investment projects, endorsements and guarantees, loans to others, and bank loans must be evaluated and analyzed by the appropriate departments in charge and passed by the Board of

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Directors before execution. The Auditing Office will formulate annual audit plans based on the risk assessment results, and execute the plans accordingly to enforce oversight measures and monitor risk management practices.</p> <p>3. Risk analysis and assessment: Please refer to "F. Risk analysis and assessment of VII. Review and analysis of the financial status, financial performance, and risk management" in the Company's 2020 annual report for details.</p> <p>(V) Customer policy implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to comply with the business activities of ethical management practices. Please refer to "I. Business activities of Five. Business Overview" in the Company's 2020 annual report.</p> <p>(VI) Status of purchase of liability insurance by the company for directors and supervisors: The Company purchased a liability insurance policy in the amount of US\$15 million for directors and other key persons in 2020. The policy had not expired as of publication of this report. Renewal will be completed before the policy expires, and important details of the policy will be reported in the next board meeting.</p>	

Evaluation Item	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.				
Prioritized issues for improvement in the 7th Corporate Governance Evaluation Indicators				
No.	Indicator Item			Priority Matters the Require Strengthening and Measures
1.10	Does the company upload the English version of the agendas and supplemental materials 30 days prior to the annual shareholders' meeting?			Upload will be completed 30 days before the 2021 annual shareholders' meeting.
3.5	Does the company upload the annual report disclosed in English 7 days prior to the annual shareholders' meeting?			Upload will be completed 7 days before the 2021 annual shareholders' meeting.
3.10	Does the company submit financial statements to the board of directors for approval or file them with the board of directors within 7 days of the publication deadline, and release the financial statements within one day after they are approved or filed?			The Company's financial statements will be approved by or filed with the Board of Directors within 7 days of the publication deadline, and will be released within one day after they are approved or filed.

(IV) If the company has a Remuneration Committee, disclose its composition, responsibilities and operations:

The Company established the Remuneration Committee and formulated its organizational charter in accordance with the "Securities and Exchange Act" and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." The responsibilities of the Remuneration Committee is to assess the remuneration policy and system for the Company's directors and executive officers in a professional and objective manner and make recommendations to the Board of Directors for reference.

The Company's far Remuneration Committee has three members at present. All members meet the expertise and independence requirements, and were reappointed in coordination with the term of the Board of Directors on June 21, 2019. Miss Kung, Ju-Chin, Mr. Lin, Che-Wei, and Miss Lu, Huei-Chung are the members of the 4th-term Remuneration Committee. Mr. Lin, Che-Wei resigned for personal reasons on February 20, 2020, and the vacancy was filled by the newly appointed independent director, Mr. Ding, Kung-Wha with the Board's approval on May 11, 2020. Miss Kung, Ju-Chin is the convener and chairperson. The committee is required to convene at least two meetings each year, and convened five meetings in 2020.

1. List of remuneration committee members:

[illegible]

Note 1: Member Lin, Che-Wei resigned on February 20, 2020.

Note 2: Member Ding, Kung-Wha was appointed to fill the vacancy with the Board's approval on May 11, 2020.

Note 3: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check “✓” in the corresponding boxes.

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

(2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where

the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or managerial officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.



## 2. Operations of the Remuneration Committee:

(1) There are three members in the Company's Remuneration Committee.

(2) Current term of office: From June 21, 2019 to June 20, 2022. In the most recent year (2020) the Remuneration Committee met five times [A], and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance rate (%) [B/A] (Note)	Notes
Convener	Kung, Ju-Chin	5	0	100%	Re-appointed on June 21, 2019
Committee Member	Lu, Huei-Chung	5	0	100%	Re-appointed on June 21, 2019
Committee Member	Lin Che-Wei	1	0	50%	Resigned on February 20, 2020
Committee Member	Ding, Kung-Wha	2	0	100%	Appointed to fill the vacancy with the Board's approval on May 11, 2020.

### Other matters that require reporting:

- I. If the board of directors did not adopt or revised the recommendations of the remuneration committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the compensation committee (if the remunerations approved by the board of directors are better than those recommended by the remuneration committee, describe the difference and reasons):  
No such incident occurred in this year.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members:  
No such incident occurred in this year.
- III. Proposals and resolutions of the Remuneration Committee meetings and the Company's handling of the members' opinions in the most recent year:

Remuneration Committee	Agenda	Resolutions	Members' opinions	The Company's handling of the opinions of the Remuneration Committee
3 <sup>rd</sup> meeting of 4 <sup>th</sup> term January 2, 2020	1. 2019 executive officers' year-end and performance bonus payment. 2. 2020 executive officers' salary compensation payment.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors.
4 <sup>th</sup> meeting of 4 <sup>th</sup> term	1. Proposal for the 2019 distribution of remuneration to employees and	Passed as proposed	No dissenting or	Submitted to the

February 15, 2020	directors.	after the chairperson consulted all attending members.	unqualified opinions.	Board of Directors and approved by all attending directors.
5 <sup>th</sup> meeting of 4 <sup>th</sup> term May 11, 2020	1. Proposal for 2019 director remuneration distribution.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors.
6 <sup>th</sup> meeting of 4 <sup>th</sup> term August 7, 2020	1. Proposal to amend the Remuneration Committee Charter. 2. Proposal to implement employee stock ownership trusts and incentives for managerial participation in employee stock ownership trusts. 3. Establishment of the “2020 Employee Stock Subscription Regulations for Cash Issue of Class A Preferred Shares” and the 2020 List of Management Subscriptions of Cash Issue of Class A Preferred Shares.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors.
7 <sup>th</sup> meeting of 4 <sup>th</sup> term November 6, 2020	1. Proposal for remuneration of independent directors on the 9 <sup>th</sup> board.	Passed as proposed after the chairperson consulted all attending members.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors.

(V) Fulfillment of Social Responsibility and Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No	Summary							
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?	✓		<p>For the purpose of enforcing the Company’s risk management mechanisms and strengthening corporate governance while reasonably assuring the Company’s strategies, plans, and targets are achieved, the Board of Directors passed the risk management policy on January 5, 2021. The policy provides the top principles for risk management. Based on business activities, the Company identifies and manages risks in operations, finance, compliance, information security, and environment, and follows closely the development of risk management in and outside the country and identification of new risks.</p> <p>Does the company assess risks associated with important issues based on the CSR principle of materiality, and establish related risk management policies as follows:</p> <table><tr><th>Important issue</th><th>Risk assessment</th><th>Risk management policy</th></tr><tr><td>The environment</td><td>Climate change</td><td>The Company is an electronic parts distributor that is mainly in the business of electronic parts sale and R&amp;D, and is not involved in manufacturing. Nevertheless, as a global citizen, the Company has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations. The Company is actively</td></tr></table>	Important issue	Risk assessment	Risk management policy	The environment	Climate change	The Company is an electronic parts distributor that is mainly in the business of electronic parts sale and R&D, and is not involved in manufacturing. Nevertheless, as a global citizen, the Company has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations. The Company is actively	No difference.
Important issue	Risk assessment	Risk management policy								
The environment	Climate change	The Company is an electronic parts distributor that is mainly in the business of electronic parts sale and R&D, and is not involved in manufacturing. Nevertheless, as a global citizen, the Company has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations. The Company is actively								

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			implementing energy conservation and carbon reduction plans, raising the environmental protection awareness of its employees, and improving the efficiency of resource use. According to the Special Report on the Ocean and Cryosphere in a Changing Climate (2019 SROCC) released by the Intergovernmental Panel on Climate Change (IPCC), environmental and climate change facts currently include the following: increased chance of strong typhoons, the sea level rising by one meter in the worst case scenario, doubled frequency of marine heatwaves, and loss of coastal wetlands. These facts can be considered urgent issues to be followed by businesses around the world. To mitigate the impact of climate change risks and their effects on business, WT Microelectronics is to devise countermeasures and work toward sustainable development.	
			Community Information security The CIO is the person in charge of assembling and leading the information security team. The team is responsible for coordinating, planning, executing,	

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
				and analyzing information security events. The team consists of a strategy group, a technology group, and an audit group. The information security team performs regular planning and review of information security protection measures according to the PDCA cycle. Information security is the Company’s last line of defense against significant impact. Therefore, in addition to continuously strengthening the investment in information security equipment, the Company also continues to increase investment in information security equipment and software and strengthen data redundancy.
			Corporate governance	Compliance with social and economic regulations The Company complies with the Fair Trade Act, Foreign Trade Act, Regulations Governing Export and Import Of Strategic High-tech Commodities, Export Administration Regulations of the United States of America, and Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area, and all products comply with the international safety standards, international environmental regulations and import

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
				and export regulations. This ensures that the business activities are environmentally friendly and complies with ethics. Internal training courses are also organized to promote laws and regulations.
			Anti-corruption	The Company established the Ethical Management Promotion Task Group, which periodically reports the implementation of ethical corporate management in the previous year to the Board of Directors at the beginning of the year, assisting the Board of Directors with inspecting and evaluating if unethical conduct prevention measures are effective. The Ethical Management Promotion Task Group established the Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Procedures for Ethical Management and Guidelines for Conduct, the internal control system, authorization system, and separation of duties. It implements anti-corruption measures in coordination with internal audits, self-evaluations of the internal control system, and channels for reporting unethical conduct.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
II. Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	✓		To fulfill CSR obligations and achieve sustainability, the Company appoints the Investor Relations Department to be the concurrent unit for promoting CSR and coordinating implementation of CSR policies and overseeing results. The functional units send representatives to attend CSR meetings as needed in order to facilitate implementation in the environmental, social, and governance aspects of the Company’s business. The department also holds discussions on supplier, customer, shareholder, media, employee, government/competent authority, community and other stakeholder issues, and sets targets and monitors the progress. Furthermore, the department delivers regular updates on CSR results and next year’s plans to the Board of Directors. The Company published the 2019 CSR Report in August 2020. The Company’s CSR plans and results can be found under the Sustainability Section of the company website.	No difference.
III. Environmental issues				
(I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(I) The company and the Hong Kong warehouse industry have obtained the ISO14001 environmental management system certification to effectively prevent and control environmental pollution and improve the utilization of resources and energy. The most recent certificate is valid from October 25, 2018 to October 26 2021.	No difference.
(II) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the	✓		(II) Due to energy shortage, artificial destruction of the ecological environment, and growingly severe carbonization of the planet in recent years, the Group continues to implement energy conservation and carbon reduction	No difference.

Evaluation Item	Implementation status		Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
environment?			<p>measures to counter and mitigate the impact of environment changes. These measures are as follows:</p> <ol style="list-style-type: none"> <li>1.Use of energy efficient equipment in the office High energy efficiency LED lights with the energy conservation label are given priority; thermal sensor lighting devices are installed in public areas and offices to effectively reduce power consumption. Air conditioners and lighting equipment are installed with controllers that automatically turn on and off during work hours and lunch breaks to prevent unnecessary energy waste.</li> <li>2.Promotion of energy conservation and carbon reduction Energy conservation posters are put up at the switches of lights and air conditioning. The Company continues to promote GHG reduction and waste sorting activities.</li> <li>3.Resources utilization and recycling               <ol style="list-style-type: none"> <li>(1)Office resource reuse Offices recycle, take apart, and reuse resources, including computer equipment and parts, and donate them to social welfare organizations for reuse, lowering the ecological load.</li> <li>(2)Packaging material recycling and use of green packaging materials. Packaging materials are separated based on their properties for management. Empty cardboard boxes from incoming materials are recycled and reused for packaging outgoing goods. Degradable inflated pads are placed in boxes to reduce the damage to the environment</li> </ol> </li> </ol>



Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓		<p>and ecology.</p> <p>(III) The Company is an electronic parts distributor that is mainly in the business of electronic parts sale and R&amp;D, and is not involved in manufacturing. Nevertheless, as a global citizen, the Company has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations. The Company is actively implementing energy conservation and carbon reduction plans, raising the environmental protection awareness of its employees, and improving the efficiency of resource use. According to the Special Report on the Ocean and Cryosphere in a Changing Climate (2019 SROCC) released by the Intergovernmental Panel on Climate Change (IPCC), environmental and climate change facts currently include the following: increased chance of strong typhoons, the sea level rising by one meter in the worst case scenario, doubled frequency of marine heatwaves, and loss of coastal wetlands. These facts can be considered urgent issues to be followed by businesses around the world. To mitigate the impact of climate change risks and their effects on business, WT Microelectronics is to devise countermeasures and work toward sustainable development. The risks and countermeasures are disclosed in the Sustainability Section of the company website.</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation and carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	✓		<p>(IV) The Group worked hard to take energy conservation and carbon reduction actions in 2020 to fulfill its global citizenship and corporate social responsibility. The results are as follows:</p> <p>1. Greenhouse gases: The Company used a greenhouse gases inventory system and issued the Greenhouse Gas Inventory Management Report. The system was certified for credibility by an independent third party in order to monitor actual GHG emissions. The Company’s GHG emissions decreased from 1,245.5330 metric tons (t-CO<sub>2</sub>e) in the base year 2018 to 1,215.4193 metric tons (t-CO<sub>2</sub>e) in 2020, down 30.1137 metric tons (t-CO<sub>2</sub>e) or about 2.42%. The Company will continue to implement the strategy of energy conservation, carbon reduction and GHG reduction in 2021, in hopes of becoming a low-carbon enterprise with sustainable development.</p> <p>2. Water resources: The biggest water users at WT Microelectronics are water circulation in air conditioners in the offices and daily use by employees. Taiwan Water is the sole water source. Water consumption in 2020 was 17,009 degrees, down 1,110 degrees from 18,119 degrees in 2019. The decrease was attributed to the smart meters installed in the Zhonghe Plant to enable real-time leak detection and timely repair. In addition, all old and leaking cooling towers were replaced. WT Microelectronics also kept raising awareness of water conservation, and put up water conservation</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>posters in tea rooms. As a result, water consumption fell by 6.13% in 2020.</p> <p>3. Waste:</p> <p>WT Microelectronics does not have any factory at its place of business, and does not produce hazardous waste. The business activities generate only nonhazardous waste, including discarded electronic products, office renovation waste, cardboard boxes, and packaging materials. To enforce the reuse policy, the Company devised and started following earth friendly waste disposal methods according to the Global Reporting Initiative for waste management in 2016. Waste is managed in one place, and quantities are recorded regularly to monitor waste generation and removal. The data provide a basis for setting management policies and targets in the future.</p> <p>A total of 6,438kg of waste was generated in 2020, down 124,055kg from 130,493kg in 2019. The decrease was attributed to the absence of any major repair work in 2020. Hence, the absence of construction waste led to a 95% decrease.</p>	
<p>IV.Social issues</p> <p>(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(I) The Company supports and follows the Universal Declaration of Human Rights, the United Nations Global Compact, the Declaration of Fundamental Principles and Rights at Work and other principles disclosed in the International Bill of Human Rights, together with the Labor Standards Act and related laws and regulations, when</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		<p>establishing internal management regulations. The Company also established the “Social Policy and Code of Conduct” in order to protect the basic human rights of all employees, customers and stakeholders and to safeguard public interests. In addition, when signing a transaction contract with a customer, the Company is also committed to comply with the Responsible Business Alliance (RBA) Code of Conduct, ensuring a safe working environment, that employees are respected and have dignity, environmentally friendly business operations, and ethical conduct.</p> <p>(II) The Group complies with the Labor Standards Act and related laws and regulations when setting salary and benefit measures, and provides better leaves and flexible hours than what is required by law. The Group also offers insurance policies and allowances, and encourage different wellness activities to attract and retain top talent. In addition to a competitive fixed salary, quarterly or annual variable performance bonuses are paid according to the company’s overall business performance, the extent of department specific goal achievement, and personal performance as well as the nature of an individual’s role and responsibilities. The variable bonuses are management reviewed regularly for incentive and profit sharing. Long-term incentive bonuses are also made available as a means to defer rewards and create a link between executive officers and key personnel and the company’s long-term performance.</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		<p>Furthermore, the company has been an advocate for sustainable operations and employee stock ownership trust since September 2020. Employees (members) organize themselves and form the Employee Stock Ownership Trust Committee. Employees will contribute fixed amounts from their monthly salaries, and the company will match their contributions. All contributions will be deposited into the trust accounts, effectively allowing employees and the company to share the fruit of business growth. The system not only makes it easier for the company to retain talent, but also helps employees accumulate wealth and prepare for retirement by saving small but regular sums.</p> <p>(III) Employees are the Group’s most valued asset, and creating a friendly workplace is one of the Group’s primary tasks.</p> <p>1. Working environment and employee safety protection measures:  Face recognition temperature readers are installed on all floors to detect anyone with a fever entering the office. Alcohol disinfectant sprays are also provided and medical grade masks made available to employees. Professional cleaners are arranged to maintain daily the workplace environment, including sterilizing the work environment and cleaning air conditioners once a year. Professional technicians are hired to periodically perform safety inspections and maintenance in accordance with the law.</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Fire safety equipment inspections are performed monthly, and in-house fire drills are conducted semiannually. Employees are required to wear their identification cards when entering and leaving the office; visitors or guests are led by the receptionist to register their visits and may not enter the office without permission. The Company has signed a contract with a security company. The front gate is strictly monitored around the clock to maintain the safety of the office.</p> <p>2.Implementation of health protection and management: The Company provides employees with medical check-ups every year, and has a health manager to assist employees with health inspections, consultation, and recommendations. Each office has a first aid reporting window to effectively guide emergency medical technicians when an emergency occurs. Doctors are invited to provide health consultation services at the office, and irregularly organize health seminars to improve employees’ medical knowledge.</p> <p>3.Promotion of health activities: A multi-purpose classroom is provided exclusively for employees, a variety of sports courses are arranged and offered in coordination with the sports center, encouraging employees to develop good exercise habits, while raising their health management awareness. Furthermore, employees are encouraged to form various clubs, such as running club, basketball club, board game club,</p>	

Evaluation Item	Implementation status			Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Does the company set up effective career development and training programs for its employees?	✓		badminton club, cooking club, floral club, and mountain climbing club. The Company hopes employees can participate in club activities to improve their mental and physical health and their relationships with each other.  (IV) The Group’s Training & Development Roadmap was developed by dedicated units for formulating annual training programs, and courses developed are based on functional attributes and grades to enhance employees’ professional competence and knowledge.	No difference.
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	✓		(V) The Group cares about the opinions of its customers. Besides individual visits, it also provides a contact person and e-mail addresses for products on its website. It also set up a stakeholder section on the Company’s website to provide a channel for customer questions, complaints, or suggestions, which the Company handles and gives feedback based on the principle of good faith, so as to protect customers’ rights and interests.	No difference.
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		(VI) The Company has established a standard supplier evaluation process and the Supplier Code of Conduct, which are disclosed on the company website, so that suppliers understand and comply with the Company’s product safety and ethical requirements, showing greater responsibility to society and the environment. The Company requires suppliers to comply with labor rights, health and safety,	No difference.

Evaluation Item	Implementation status		Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
			Summary
			environmental protection, and ethics, and works with suppliers to commit to the development and application of green technologies, in order to solve the environmental problem of Earth’s energy resources being depleted. These efforts allow the Company and suppliers to better fulfill their corporate social responsibility. In case of violation, the Company may immediately terminate the cooperation with the supplier and may seek compensation for damages. When purchasing goods, the Group complies with environmental regulations and industry regulations, such as conflict minerals. In addition, the official website of major international suppliers that the Company deals with disclose statements that their products comply with relevant environmental regulations.
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The Group referenced the latest internationally accepted reporting standards (GRI Standards) in 2020 in preparing the 2019 Corporate Social Responsibility Report, and obtained a limited assurance report from a third party verification unit. The Corporate Social Responsibility Report discloses a comparison of the GRI indicators. The report will be uploaded to the Market Observation Post System by September 30, 2021. It will be available to the public on the MOPS and the Group’s website.
VI. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has established “Corporate Social Responsibility Best Practice Principles” to fulfill its social responsibilities. There is no difference between actual operations and the Company’s best practice principles.			



Evaluation Item	Implementation status		Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
VII.Other important information to facilitate a better understanding of the company’s corporate social responsibility practices:			
(I) Public interest:			
1. It is the Group’s commitment to fulfill corporate social responsibility, in addition to expanding its operations and creating maximum value for its shareholders. The Group established the WT Education Foundation in December 2014. The Foundation’s Board of Directors consists of five directors, and it has a CEO and an executive vice president. Its aim is to fulfill corporate social responsibility and promote cultural and educational activities to give back to society. It sponsors or promotes various public interest activities, and calls on all employees to participate. The implementation status and operational results are reported to the Board of Directors by the CEO of the Foundation regularly each year. The 2020 implementation was reported to the Board of Directors on February 25, 2021. The total amount of donations amounted to NT\$8.66 million and the number of beneficiaries reached 13,004. The sponsored items mainly consist of two categories: (1) Diverse learning and multicultural education (2) Supporting disadvantaged groups and giving back to society For information on the Company’s corporate social responsibility, please refer to the Company’s 2019 Corporate Social Responsibility Report on the company website (URL: <a href="https://www.wtmec.com/?page_id=12183">https://www.wtmec.com/?page_id=12183</a> ).			
2. The Group responds to government decrees and employs people with physical and mental disabilities in accordance with the People with Disabilities Rights Protection Act.			
(II) Environmental protection:			
The Group is an electronic components distributor without a factory, and mainly promotes environmental protection at its offices and warehouses. Warehouses in Taiwan and Hong Kong have all obtained the ISO 14001 environmental management system certification, The most recent certificate is valid from October 25, 2018 to October 26 2021. The Company hopes to become a pioneer in a circular economy, and is actively recycling and reusing empty cardboard boxes, selecting packaging materials that are recyclable and degradable for logistics operations, and reducing the use of materials that are not environmentally friendly to protect the environment and ecology. The Company promotes paperless operations in offices, encourages employees to reduce paper use via e-mail and scanning and storing documents in electronic form, in order to accelerate the transition to paperless operations. Office equipment and resources are recycled and reused to reduce waste generation. Recyclable and reusable resources that are discarded by offices are donated to social welfare organizations, such as office furniture, electric appliances, IT and computer equipment, avoiding resource waste and reducing the burden on the planet.			
(III) Human rights:			
The Group values stakeholders’ interests and set up a stakeholder section on the Company’s website to provide a good communication platform, in order to understand the reasonable expectations and needs of stakeholders. Whether the internal or external issues are questions, complaints, or suggestions in the economic, social and environmental aspects, the Group shall always uphold the principle of good faith to properly handle and provide feedback or improvement plans to achieve effective communication.			

(VI) Implementation of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches				
(I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) The Company’s Ethical Corporate Management Best Practice Principles were passed by the Board of Directors on December 1, 2014, and amendments were passed by the Board of Directors on July 11, 2016 and August 8, 2019 in response to law amendments. They were disclosed on the Market Observation Post System and the company website (www.wtmec.com). In addition, the Company issued the 2019 Corporate Social Responsibility Report on August 10, 2020 to make stakeholders aware of the Company’s efforts and contributions in CSR. The Group’s senior management and members of the Board of Directors are committed to upholding their responsibility of supervision based on ethical concepts when performing their duties, in order to create a sustainable business environment.	No difference.
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis,	✓		(II) The Company explicitly prohibits unethical conduct such as offering and receiving bribery, providing or accepting improper interests, providing or promising facilitation payment, providing illegal political contributions, engaging in unfair competition, providing improper charitable donations or sponsorships, disclosing trade secrets and damages to the interests of stakeholders, etc., in the “ Procedures for Ethical Management and Guidelines for	No difference.

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?</p>	✓		<p>Conduct”. The Company has taken preventive measures and conducted educational advocacies to implement the ethical management policy.</p> <p>(III) The Company engages in commercial activities based on the principles of fairness, honesty, trustworthiness and transparency. In order to implement the ethical management policy, in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Board of Directors passed the resolution on April 28, 2016 to formulate the “Procedures for Ethical Management and Guidelines for Conduct”, specifying the matters the Company’s personnel shall be minded of when performing business. It includes clear operating procedures and guidelines for each program, disciplinary action for violations and grievance systems. It is applicable to all of the Group’s companies and organizations such as the Company and its subsidiaries, foundations with the Company directly or indirectly contributing more than 50% of the funds, and other institutions or legal persons which the Company has substantial control. Besides promoting the policy among new employees, the Company has implemented it in business operations.</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
II. Implementation of ethical corporate management				
(I) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	✓		(I) After the evaluation, the Company shall sign contracts that contain an ethics clause with transaction counterparties if necessary. The ethics clause includes not accepting or requesting improper benefits, such as bribery, gift money, gift cards, etc., and conducting all business activities based on the principles of fairness, justice, openness and honesty. In addition, the financial institutions to which the Company conducts transactions with are all legally registered and well-known commercial banks or bills finance companies. The rights and obligations of both parties and the terms of the transaction are clearly set out in the credit contract. The Company also established the “Supplier Code of Conduct” on April 12, 2016 to specify relevant ethics.	No difference.
(II) Does the company have a unit that supports ethical management practices on a full-time basis under the board of directors, and reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors and oversees the operations?	✓		(II) In order to improve the ethical corporate management, the HR, Legal and Audit Office jointly form an Ethical Management Promotion Task Group, decentralizing the formulation and supervision of ethical corporate management policies and preventive measures based on the work responsibility and scope of each unit, to ensure the implementation of the Ethical Corporate Management Best Practice Principles. In addition, the Company reports the implementation of ethical corporate management in the previous year to the Board of Directors every year, to assist the Board of	No difference.

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Directors in assessing whether the ethical corporate management measures established by the Company is operating effectively. On January 5, 2021, the Board of Directors completed the 2020 annual reporting on the implementation of ethical management. Progress in 2020:</p> <p>1. Education and training In addition to promoting ethics and integrity as the core values of the Company to all employees, the task group also provides education and training to new employees to advocate the matters which require attention when conducting business.</p> <p>2. Communication channels Employees can also respond to and communicate with management and the HR unit through multiple channels (including the Company’s website, internal email system, etc).</p> <p>3. Reporting procedures and whistleblower protection There is a whistleblowing platform for any violation of the code of conduct on the Company’s official website, providing a channel for whistleblowers to report illegal activities of the Company’s personnel. The Ethical Management Promotion Task Group is responsible for accepting the reported cases, forwarding these cases to the highest supervisors of the relevant units for investigation, and tracking the final result of each cases. The identity of the whistleblower and the contents of the report shall be kept confidential, and a complete record of the acceptance,</p>	

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	✓		<p>investigation process and results of the case shall be retained. The Company received 0 external reports and employee reports in 2020; there were no incidents of severe unethical conduct.</p> <p>(III) The Company’s “ Ethical Corporate Management Best Practice Principles “ and “Procedures for Ethical Management and Guidelines for Conduct” have clearly specified policies for preventing conflicts of interest and requires all units to implement them. Open channels are provided internally and on the Company’s website for employees to present their opinions. In addition, the Company’s personnel that attended Board meetings recused themselves for those proposals that they have a conflict of interest (January 2, 2020, February 15, 2020, May 11, 2020, July 2, 2020, August 7, 2020, November 6, 2020, January 5, 2021, February 25, 2021, March 18, 2021, and April 16, 2021) in accordance with Article 15 of the Company’s “Rules of Procedure for Board of Directors’ Meetings” on directors’ recusal due to conflict of interest.</p>	No difference.
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical	✓		<p>(IV) The Group has established a complete and effective control mechanism in the accounting system and internal control system for business activities and operating procedures that have potentially high levels of unethical conduct. Internal auditors shall include high-risk operations as the primary audit items in the annual audit plan based on risk</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(V) Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	✓		<p>assessments to strengthen preventive measures, and report the actual implementation of the audit plan during regular Board meetings. In addition, through the Company’s annual self-assessment of internal controls, all departments and subsidiaries of the Company are required to self-examine the internal control system, in order to ensure the effectiveness of the system’s design and implementation.</p> <p>(V) The “Ethical Corporate Management Best Practice Principles”, the “Procedures for Ethical Management and Guidelines for Conduct”, and the “Code of Ethics” established by the Company are disclosed in the “Corporate Governance” section of the official website and on the internal website, as well as provided during training for current employees and for new employees. In 2020, the total number of training hours was 562 hours, and the number of trainees was 1,185. The training aims for each new employee to understand and abide by the Best Practice Principles. In addition, relevant personnel are also appointed to participate in seminars and symposiums organized by public associations or professional organizations to strengthen the Group’s ethical corporate management policy.</p>	No difference.
<p>III. Operation of whistleblowing system</p> <p>(I) Does the company establish concrete</p>	✓		<p>(I) In accordance with Article 23 of the Company’s Ethical</p>	No difference.

Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?			Corporate Management Best Practice Principles and Article 21 of the Procedures for Ethical Management and Guidelines for Conduct on the whistle-blowing system, if members of the Group suspect or discover any violations, they shall report it to independent directors, executive officers, the chief internal auditor or other suitable personnel. In addition, there is a professional ethics violation reporting channel on the Company’s website for relevant personnel to report wrongdoings. There were no major internal or external whistleblower cases in 2020.	
(II) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	✓		(II) In accordance with Article 23 of the Company’s Ethical Corporate Management Best Practice Principles and Article 21 of the Procedures for Ethical Management and Guidelines for Conduct, records of the whistleblower report acceptance and investigation process and results shall be kept and retained, and the whistleblower’s identity and contents of the report shall be kept confidential. If a material violation is discovered by the investigation or the Group is at risk of sustaining significant losses, a report shall immediately be prepared and independent directors shall be notified in writing. No such incident occurred in 2020.	No difference.
(III) Does the company provide proper whistleblower protection?	✓		(III) In accordance with Article 23 of the Company’s Ethical Corporate Management Best Practice Principles and Article 21 of the Procedures for Ethical Management and	No difference.



Evaluation Item	Implementation status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			Guidelines for Conduct, the whistleblowers identity and contents of the report shall be kept confidential, and whistleblowers shall not be subject to improper treatment due to whistleblowing.	
IV. Enhancing information disclosure Does the company disclose information regarding the company’s ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The Company has disclosed these Best-Practice Principles and its implementation on the Company’s website, Market Observation Post System, annual reports, corporate social responsibility reports and prospectus in accordance with Article 25 of the Ethical Corporate Management Best Practice Principles. Integrity is the Company’s most important core value and business philosophy. Employees must abide by clear ethical and character standards. The Company keeps its commitment to vendors, customers, employees, shareholders and society, and also does its utmost to ensure the interests and rights of all stakeholders.	No difference.
V. If the company has established Ethical Corporate Management Principles in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, describe difference with the principles and implementation status: The Company established the “Ethical Corporate Management Best Practice Principles” to establish a corporate culture of ethical management and to achieve sound development. There is no deviation between actual operations and the Company’s Best Practice Principles.				
VI. Other important information to facilitate a better understanding of the company’s implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” was amended in response to the regulations, and passed by the Board of Directors on August 7, 2020. Furthermore, the Company shall pay attention to the development of relevant domestic and international ethical management regulations, and encourage directors, executive officers and employees to attend training and propose improvements and suggestions to enhance the Company ethical corporate management performance.				

(VII) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

The Company has formulated the “ Articles of Incorporation”, “Rules of Procedure for Shareholders’ Meetings”, “Rules of Procedure for Board of Directors’ Meetings”, “Rules for Board of Directors Performance Assessments”, “ Rules for Election of Directors”, “Audit Committee Charter”, “Remuneration Committee Charter”, “Risk Management Committee Charter”, “Risk Management Policy”, “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds and Endorsement & Guarantee”, “Procedures for Handling Material Inside Information”, “Corporate Governance Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Codes of Ethical Conduct”, and “Supplier Code of Conduct”. These regulations can be found on the Company’s website (website: <http://www.wtmec.com>), the Market Observation Post System, or the annual reports.

(VIII ) Other significant information which may improve the understanding of corporate governance and operation:

1. In addition to disclosing in the Corporate Governance section of the Market Observation Post System, the Company also discloses corporate governance related operations in the format of material information to investors in a timely manner, depending on the materiality.
2. The Company regularly holds investor conferences, and the relevant materials of the investor conferences are disclosed on the Company's website and the Market Observation Post System.
3. Continuing education for the Company's executive officers in 2020:

Title	Name	Date	Organizer	Course Name	Hours
President	Cheng, Wen-Tsung	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3 hours
		2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3 hours
Senior Vice President	Hsu, Wen-Hung	2020/07/17	Securities & Futures Institute	From CSR to Insider Trading	3 hours
		2020/08/04	Corporate Operation Association	"Shareholders Rights – Management Rights Disputes and More"	3 hours
		2020/10/16	Taiwan Stock Exchange and Taipei Exchange	2020 Corporate Governance and Ethical Corporate Management Seminar for Directors and Supervisors	3 hours
		2020/11/20	Securities & Futures Institute	Management of Cross-border Businesses and Corporate Governance for Offshore Offices	3 hours
Vice President and Chief Accountant	Yang, Hsing-Yu	2020/12/21~22	Accounting Research and Development Foundation	Continuing Education of Accounting Supervisors	12 hours

(IX) Implementation of internal control system:

1. Internal Control Statement

**WT Microelectronics Co., Ltd.**  
**Internal Control System Statement**

Date: February 25, 2021

In 2020, the Company conducted an internal audit of its internal control system and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The aim of the system is to provide reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
5. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of Thursday, December 31, 2020 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was passed by the Board of Directors on February 25, 2021, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**WT Microelectronics Co., Ltd.**  
**Chairman and President: Cheng, Wen-Tsung**

2. If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

(X) If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

(XI) Important resolutions adopted in shareholders meeting and board of directors' meeting in the past year and up to the date of report:

1. Major resolutions of the Board of Directors:

Date	Major resolutions
January 2, 2020	<ol style="list-style-type: none"> <li>1. Passed the proposal for the 2019 managerial officers' year-end bonuses and performance bonuses.</li> <li>2. Passed the proposal for the 2020 executive officers' salary compensations.</li> <li>3. Passed the proposal for the 2020 business plan.</li> <li>4. Passed the proposal for the appointment and independence assessment of CPAs.</li> <li>5. Passed the proposal for setting the record date for capital increase by shares converted from the Company's sixth unsecured convertible corporate bonds.</li> <li>6. Passed the proposal for electing a new independent director to fill the vacancy.</li> <li>7. Passed the proposal for related matters of convening the Company's 2020 annual shareholders' meeting.</li> </ol>
January 8, 2020	Passed a decision on whether the public tender offer for WPG Holdings should be filed with the State Administration for Market Regulation of China.
January 20, 2020	Passed the contents of the official explanation to be publicly disclosed by the Company regarding the decision during the previous meeting of the Fair Trade Commission to exempt the public tender offer by WPG Holdings for up to 30% of the Company's shares from merger filing.
February 15, 2020	<ol style="list-style-type: none"> <li>1. Passed the report on the Company's ability to compile financial reports.</li> <li>2. Passed the 2019 proposal for distribution of remuneration to employees and directors.</li> <li>3. Passed the proposal for the 2019 internal control system effectiveness assessment and internal control system statement.</li> <li>4. Passed the proposal for nominating and reviewing candidates to the list of independent directors.</li> <li>5. Passed the proposal for releasing the non-competition restriction on directors.</li> <li>6. Passed the proposal to make a donation to the WT Education Foundation.</li> <li>7. Passed the proposal for the amendment to the "Articles of Incorporation".</li> </ol>

	<ol style="list-style-type: none"> <li>8. Passed the proposal for the amendment to the “Procedures for Acquisition or Disposal of Assets”.</li> <li>9. Passed private placement of Class B preferred shares and/or Class C preferred shares.</li> <li>10. Passed private placement of common shares.</li> <li>11. Passed issuance of common shares to increase capital via book building.</li> <li>12. Passed issuance of new restricted employee shares.</li> <li>13. Passed the proposal for the 2019 Business Report and Financial Statements.</li> <li>14. Passed the proposal for 2019 earnings distribution.</li> </ol>
February 21, 2020	Passed the proposal for the Company to increase capital by issuing consideration shares in a stock swap for accepting new shares of ASMedia Technology Inc.
May 11, 2020	<ol style="list-style-type: none"> <li>1. Passed the appointment of one member to fill a vacancy on the 4<sup>th</sup> Remuneration Committee.</li> <li>2. Passed the 2019 proposal for distribution of salary to directors.</li> <li>3. Passed the proposal for setting the record date for capital increase by shares converted from the Company’s sixth unsecured convertible corporate bonds.</li> </ol>
July 2, 2020	<ol style="list-style-type: none"> <li>1. Passed the proposal for the Company to acquire all shares of Analog World Co., Ltd. In cash, and transfer the semiconductor product distribution business of Analog Tech Systems, Inc. and Analog Devices, Inc. of Analogtechsys Limited to the subsidiary Morrihan International Corp.</li> <li>2. Passed cash issue of Class A preferred shares.</li> <li>3. Passed the proposed rules for issuing new restricted employee shares in 2020.</li> </ol>
August 7, 2020	<ol style="list-style-type: none"> <li>1. Passed the proposal for the 2019 annual financial statements of the Hong Kong branch.</li> <li>2. Passed the proposal for setting the record date for capital increase by shares converted from the Company’s sixth unsecured convertible corporate bonds.</li> <li>3. Passed the proposal to implement employee stock ownership trusts and incentives for managerial participation in employee stock ownership trusts.</li> <li>4. Passed the establishment of the “2020 Employee Stock Subscription Regulations for Cash Issue of Class A Preferred Shares” and the 2020 List of Management Subscriptions of Cash Issue of Class A Preferred Shares.</li> <li>5. Passed the amendments to the Corporate Governance Best Practice Principles, the Corporate Social Responsibility Best Practice Principles, the Ethical Corporate Management Operating Procedures and Code of Conduct, the Code of Ethics, the Rules and Procedures for Board of Directors Meetings, the Board of Directors Performance Evaluation Guidelines, the</li> </ol>

	<p>Remuneration Committee Charter, and the Audit Committee Charter and the revocation of the Merger and Acquisition Committee Charter.</p> <p>6. Passed the amendment to the rules for issuing new restricted employee shares in 2020.</p> <p>7. Passed the proposed amendment to the Internal Control System.</p>
November 6, 2020	<p>1. Passed the proposal for the 2020 Q4 summary consolidated financial forecast.</p> <p>2. Passed the proposal for the Company to continue providing joint guarantees for the subsidiary, Morrihan Singapore Pte. Ltd., to obtain credit lines from banks.</p>
January 5, 2021	<p>1. Passed the proposal for the 2020 managerial officers' year-end bonuses and performance bonuses.</p> <p>2. Passed the proposal for the 2021 executive officers' salary compensations.</p> <p>3. Passed issuance of new restricted employee shares and approval of employee share entitlement.</p> <p>4. Passed the proposal to issue employee stock options in 2021.</p> <p>5. Passed the establishment of the Risk Management Policy.</p> <p>6. Passed the proposal for exchange rate volatility risk evaluation.</p> <p>7. Passed the evaluation of risks on the Company's operations arising from the China-US dispute.</p> <p>8. Passed the acquisition of common shares of Sino-American Silicon Products Inc.</p> <p>9. Passed the proposal for the 2021 business plan.</p> <p>10. Passed the proposal for the appointment and independence assessment of CPAs.</p> <p>11. Passed the proposal for setting the record date for capital increase by shares converted from the Company's sixth unsecured convertible corporate bonds.</p>
February 25, 2021	<p>1. Passed the proposal to make a donation to the WT Education Foundation.</p> <p>2. Passed the proposal for the 2020 Business Report and Financial Statements.</p> <p>3. Passed the proposal for the 2021 Q1 summary consolidated financial forecast.</p> <p>4. Passed the proposal for the 2020 internal control system effectiveness assessment and internal control system statement.</p> <p>5. Passed the 2020 proposal for distribution of remuneration to employees and directors.</p> <p>6. Passed the proposal to discontinue private placements of common and preferred shares passed at the 2020 annual shareholders' meeting.</p> <p>7. Passed the proposed amendment to the Rules of Procedure for the Shareholders' Meeting.</p>

	<ol style="list-style-type: none"> <li>8. Passed the proposed amendment to the Rules for Directors Elections.</li> <li>9. Passed the proposed amendment to the Corporate Governance Best Practice Principles.</li> <li>10. Passed the proposal for related matters of convening the Company's 2021 annual shareholders' meeting.</li> <li>11. Passed the appointment/dismissal of internal audit officers.</li> </ol>
March 18, 2021	<ol style="list-style-type: none"> <li>1. Passed the proposal to issue employee stock options in 2021 and the list of eligible employees.</li> <li>2. Passed the proposal to optimize employee stock ownership trusts and incentives for managerial participation in employee stock ownership trusts.</li> <li>3. Passed the proposal for information security risk evaluation and management countermeasures.</li> </ol>
April 16, 2021	<ol style="list-style-type: none"> <li>1. Passed the proposal for 2020 earnings distribution.</li> <li>2. Passed the 2020 earnings distribution of cash dividends.</li> <li>3. Passed the proposal for the amendment to the "Articles of Incorporation".</li> <li>4. Passed issuance of new restricted employee shares.</li> <li>5. Passed the proposal to issue common stock for cash capital increase and/or issue common stock for cash capital increase and issuance of DRs.</li> <li>6. Passed the proposal for releasing the non-competition restriction on directors.</li> <li>7. Passed the proposal for setting the record date for capital increase by shares converted from the Company's sixth unsecured convertible corporate bonds.</li> </ol>

2. Major resolutions of the shareholders' meeting and implementation:

Date	Major resolutions and implementation
March 27, 2020	<ol style="list-style-type: none"> <li>1. Acknowledged the proposal for the 2019 Business Report and Financial Statements. Implementation status: Resolution passed.</li> <li>2. Acknowledged the 2019 Earnings Distribution. Implementation status: Resolution passed. The 2019 earnings distribution has been fully allocated. August 30, 2020 is set as the ex-dividend date and September 16 of the same year is set as the cash dividend payment date. The cash dividend is NT\$2.77606941 per share.</li> <li>3. Passed the proposal for the amendment to the "Articles of Incorporation". Implementation status: Approved and registered by the Ministry of Economic Affairs on April 29, 2020, and related matters were handled in accordance with the amended Articles of Incorporation.</li> <li>4. Passed the proposal for the amendment to the "Procedures for Acquisition or Disposal of Assets". Implementation status: The amended "Procedures for</li> </ol>



	<p>Acquisition or Disposal of Assets” were uploaded to the Market Observation Post System and disclosed on the company website on April 6, 2020, and matters were handled in accordance with the amended procedures.</p> <p>5. Passed private placements of Class B and/or Class C preferred shares, private placements of common shares, and cash issue of common shares via book building. Implementation status: Resolution passed, The board of directors was authorized to raise capital, but found no suitable counterparties by the deadline on March 26, 2021. Therefore, the proposal was discontinued, and reported to the 2021 annual shareholders’ meeting.</p> <p>6. Passed issuance of common shares to raise capital via book building. Implementation status: Resolution passed, The board of directors was authorized to raise capital, but had not completed the procedure by the deadline on March 26, 2021.</p> <p>7. Passed issuance of new restricted employee shares. Implementation status: January 18, 2021 was set to be issue date for 2,992,000 new restricted employee shares in 2020. These shares were approved and registered by the Ministry of Economic Affairs on February 5 of the same year, and February 26 of the same year was the TWSE-approved issue date.</p> <p>8. To elect a new Independent Director to fill the vacancy. Implementation status: The list of new independent directors elected to fill vacancies: Ding, Kung-Wha Approved and registered by the Ministry of Economic Affairs on April 29, 2020.</p> <p>9. To release the non-competition restriction on Directors. Implementation status: Resolution passed to release non-competition restriction on directors, Sung Kao, Hsin-Ming and Ding, Kung-Wha.</p>
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(XII) Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

(XIII ) Resignation and dismissal of managerial officers related to the financial report (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor) in the past year and up to the date of report:

Title	Name	Date of appointment	Date of dismissal	Reason for dismissal
Audit officer	Wang, Yea-Ching	March 17, 2014	February 25, 2021	Change of responsibilities

#### IV Information on fees to CPA

##### (I) Accountants' fee brackets:

Name of accounting firm	Name of CPA		Audit period	Notes
PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu	Han-chi Wu	2020	

Unit: NT\$1,000

Fees classification		Audit fee	Non-audit fee	Total
Range of amount				
1	Less than NT\$2,000,000			
2	NT\$2,000,000 (inclusive) to NT\$4,000,000		V	2,000
3	NT\$4,000,000 (inclusive) to NT\$6,000,000			
4	NT\$6,000,000 (inclusive) to NT\$8,000,000			
5	NT\$8,000,000 (inclusive) to NT\$10,000,000	V		8,165
6	NT\$10,000,000 (inclusive) or above			

- (II) If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

#### Information on fees to CPA

Unit: NT\$1,000

Name of accounting firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Notes
			System design	Industrial and commercial registration	Human Resources	Other	Subtotal		
PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu Han-chi Wu	8,165	0	0	0	2,000	2,000	2020	(Note)

Note: Non-audit fee – Other refers to NT\$550,000 for providing transfer pricing analysis, NT\$700,000 for providing the Group's master file and country-by-country report, NT\$150,000 for the CSR assurance service, NT\$500,000 for providing an assessment of the Group's organizational restructuring, and NT\$100,000 for providing perennial tax consulting service.

- (III) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.

(IV) If the audit fees were reduced more than 10% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

V Information on the replacement of CPA: None.

VI The chairperson, president, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None.

VII Share transfer by directors, supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

(I) Changes in the equity of directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2020				As of April 16, 2021			
		Common shares		Preferred shares (Note 1)		Common shares		Preferred shares	
		Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Increase (decrease ) in pledged shares	Increase (decrease ) in shares held	Increase (decrease ) in pledged shares	Increase (decrease ) in shares held	Increase (decrease ) in pledged shares
Chairman and President	Cheng, Wen-Tsung	—	(12,400,000)	—	—	—	—	—	—
Director and Senior Vice President	Hsu, Wen- Hung	—	—	—	—	—	—	—	—
Director	Sung Kao, Hsin-Ming	—	—	—	—	—	—	—	—
Director	Wen You Investment Co., Ltd.	—	—	—	—	—	—	—	—
Representative of legal person director	Cheng, Ken-Yi	—	—	—	—	—	—	—	—
Independent Director	Cheng, Tien-Chong	—	—	—	—	—	—	—	—
Independent Director	Kung, Ju- Chin	—	—	—	—	—	—	—	—
Independent Director	Lin Che- Wei (Note 2)	—	—	—	—	—	—	—	—
Independent Director	Ding, Kung-Wha (Note 3)	—	—	—	—	—	—	—	—
Senior Vice President	Jack Yang	—	—	—	—	—	—	—	—
Senior Vice President	James Wen	—	—	—	—	—	—	—	—
Senior Vice President	Rick Chang	—	—	—	—	—	—	—	—
Vice President	Willie Sun	—	(13,000)	—	—	—	—	—	—
Vice President and CFO	Yang, Hsing-Yu	—	—	—	—	—	—	—	—
Assistant Vice President and Finance Supervisor	Jason Lu	—	—	—	—	—	—	—	—
Major shareholder	WPG Holdings (Note 4)	177,110,000	—	24,283,867	—	—	—	—	—

Title	Name	2020				As of April 16, 2021			
		Common shares		Preferred shares (Note 1)		Common shares		Preferred shares	
		Number of shares held Increase (decrease)	Number of pledged shares Increase (decrease)	Number of shares held Increase (decrease)	Increase (decrease ) in pledged shares	Increase (decrease ) in shares held	Increase (decrease ) in pledged shares	Increase (decrease ) in shares held	Increase (decrease ) in pledged shares
Major shareholder	ASMedia Technology Inc. (Note 5)	171,000,000	—	8,000,000	—	—	—	—	—

Note 1: The Company issued Class A Preferred Shares on October 15, 2020.

Note 2: Independent Director Lin, Che-Wei resigned on February 20, 2020.

Note 3: Ding, Kung-Wha was elected to fill an independent director vacancy on March 27, 2020.

Note 4: WPG Holdings took office on February 6, 2020.

Note 5: ASMedia Technology Inc. took office on April 21, 2020.

(II) Shares Trading with Related Parties: None.

(III) Shares Pledge with Related Parties: None.

VIII Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

March 30, 2021 (Book Closure Date)

Name (Note 1)	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of shares	Shareholding ratio(%)	Number of shares	Shareholding ratio(%)	Number of shares	Shareholding ratio(%)	Name	Relationship	
WPG Holdings Representative: Simon Huang	201,393,867 0	21.74 0	0 0	0 0	0 0	0 0	None	None	None
ASMedia Technology Inc. Representative: Shen, Zhen-Lai	179,000,000 0	19.32 0	0 0	0 0	0 0	0 0	None	None	None
Shao Yang Investment Limited Representative: Cheng, Wen-Tsung	74,739,426 28,177,112	8.07 3.04	0 8,406,543	0 0.91	41,304,536 79,460,307	0.45 8.58	Cheng, Wen-Tsung Hsu, Wen-Hung	Representative Supervisor	None
Cheng, Wen-Tsung	28,177,112	3.04	8,406,543	0.91	79,460,307	8.58	Hsu, Wen-Hung Shao Yang Investment Limited	Spouse Representative	None
Investment account of CIBC World Markets Inc. under the custody of the Business Department, Standard Chartered Bank	21,406,138	2.31	0	0	0	0	None	None	None
First Private High No. 5	17,789,457	1.92	0	0	0	0	None	None	None
Prodigy Fund SPC	12,818,206	1.38	0	0	0	0	None	None	None
New Labor Pension Fund	11,234,000	1.21	0	0	0	0	None	None	None
SinoPac Securities Representative: Stanley Chu	9,025,000 0	0.97 0	0 0	0 0	0 0	0 0	None	None	None
Hsu, Wen-Hung	8,356,543	0.90	28,227,112	3.04	79,460,307	8.58	Cheng, Wen-Tsung Shao Yang Investment Limited	Spouse Supervisor	None

Note 1: This table discloses ten largest shareholders by total number of common shares and preferred shares.

Note 2: The shareholding percentage is calculated based on the total number of outstanding shares of 926,276,850.

IX The number of shares of the same invested company held by the Company, the Company's directors, supervisors, and executive officers, and the businesses controlled directly or indirectly by the Company, and the consolidated shareholding ratio:

December 31, 2020 /

Unit: 1000 shares

Invested company	Investment by the Company		Investments from directors, supervisors, executive officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
Wintech Microelectronics Holding Limited	115,324	99.65	407	0.35	115,731	100.00
Techmosa International Inc.	73,949	100.00	—	—	73,949	100.00
Nuvision Technology Inc.	28,217	99.91	—	—	28,217	99.91
Milestone Investment Co., Ltd.	4,500	100.00	—	—	4,500	100.00
Sinyie Investment Co., Ltd.	2,900	100.00	—	—	2,900	100.00
Morrihan International Corp.	283,760	100.00	—	—	283,760	100.00
Maxtek Technology Co., Ltd.	70,220	100.00	—	—	70,220	100.00
Analog World Co., Ltd.	120	100.00	—	—	120	100.00
BSI Semiconductor Pte. Ltd.	7,544	100.00	—	—	7,544	100.00
MSD Holdings Pte. Ltd.	200	100.00	—	—	200	100.00
Promising Investment Limited	—	—	62,333	100.00	62,333	100.00
Wintech Investment Co., Ltd.	—	—	21,021	100.00	21,021	100.00
WT Microelectronics(Shanghai)Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
Wintech Microelectronics Ltd.	—	—	3,000	100.00	3,000	100.00
Wintech Microelectronics Limited	—	—	5	100.00	5	100.00
WT Technology Pte. Ltd.	—	—	5,000	100.00	5,000	100.00
WT Solomon QCE Limited	—	—	110,000	100.00	110,000	100.00
WT Microelectronics(Hong Kong)Limited	—	—	12,528	100.00	12,528	100.00
Nino Capital Co., Ltd.	—	—	311	100.00	311	100.00
Rich Web Ltd.	—	—	22,974	100.00	22,974	100.00
WT Technology(H.K.)Limited	—	—	1,000	100.00	1,000	100.00
WT Microelectronics Singapore Pte. Ltd.	—	—	1,500	100.00	1,500	100.00
WT Microelectronics(Malaysia)Sdn. Bhd.	—	—	500	100.00	500	100.00
WT Technology Korea Co., Ltd.	—	—	3,980	100.00	3,980	100.00
Shanghai WT Microelectronics Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
WT Microelectronics(Shenzhen)Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00

Invested company	Investment by the Company		Investments from directors, supervisors, executive officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
WT Microelectronics(Thailand)Co., Limited.	—	—	300	100.00	300	100.00
WT Microelectronics India Private Limited	—	—	700	100.00	700	100.00
Hotech Electronics Corp.	—	—	500	100.00	500	100.00
Asia Latest Technology Limited	—	—	1,120	100.00	1,120	100.00
Morrihan International Trading (Shanghai) Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
JCD Optical(CAYMAN)Co., Ltd.	—	—	5,869	23.07	5,869	23.07
Joy Capital Ltd.	—	—	1,200	17.65	1,200	17.65
Rainbow Star Group Limited	—	—	19	24.65	19	24.65
Brillnics Inc.	—	—	32,084	54.15	32,084	54.15
Anius Enterprise Co., Ltd.	—	—	0.001	100.00	0.001	100.00
Mega Source Co., Ltd.	—	—	0.001	100.00	0.001	100.00
Morrihan Singapore Pte. Ltd.	—	—	9,500	100.00	9,500	100.00
Wonchang Semiconductor Co., Ltd.	—	—	54	100.00	54	100.00
Techmosa International Holding Ltd.	—	—	0.001	100.00	0.001	100.00
Hongtech Electronics Co., Ltd.	—	—	11,500	100.00	11,500	100.00
Lacewood International Corp.	—	—	30	100.00	30	100.00
Best Winner International Development Ltd.	—	—	6	100.00	6	100.00
Maxtek International (HK) Limited	—	—	6,000	100.00	6,000	100.00
Brillnics(HK)Limited	—	—	53,013	100.00	53,013	100.00
Brillnics Singapore Pte. Ltd.	—	—	0.002	100.00	0.002	100.00
Brillnics Japan Inc.	—	—	100	100.00	100	100.00
Brillnics (Taiwan) Inc.	—	—	1,194	100.00	1,194	100.00
Qwave Technology Co., Ltd.	—	—	4,000	40.00	4,000	40.00

Note 1: This table is based on the Company's investments accounted for using equity method.

Note 2: The invested company has not issued shares, so there are no shares held.



## Chapter 4. Capital overview

### I. Capital and shareholding

#### (I) Sources of capital:

April 16, 2021

Unit: Share/NT\$

Year/ Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Subscriptions paid with property other than cash	Other
2020.02	10	1,000,000,000	10,000,000,000	591,436,868	5,914,368,680	Share capital of NT \$11,010,570 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10901006700 dated February 3, 2020
2020.05	10	1,500,000,000	15,000,000,000	762,436,868	7,624,368,680	\$1,710,000,000 in new shares issued for stock swap	—	Jing-Shou-Shang-Zi No. 10901067640 dated May 21, 2020
2020.06	10	1,500,000,000	15,000,000,000	763,604,419	7,636,044,190	Conversion of convertible corporate bonds to \$11,675,510 in share capital	—	Jing-Shou-Shang-Zi No. 10901085790 dated June 1, 2020
2020.08	10	1,500,000,000	15,000,000,000	784,190,262	7,841,902,620	Share capital of NT \$205,858,430 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10901156770 dated August 28, 2020
2020.11	10	1,500,000,000	15,000,000,000	Common shares 784,190,262 Preferred shares 135,000,000	9,191,902,620	Preferred shares for capital increase \$1,350,000,000	—	Jing-Shou-Shang-Zi No. 10901198990 dated November 2, 2020
2020.11	10	1,500,000,000	15,000,000,000	Common shares 788,025,990 Preferred shares 135,000,000	9,230,259,900	Share capital of NT \$38,357,280 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10901211750 dated November 19, 2020
2021.01	10	1,500,000,000	15,000,000,000	Common shares 788,231,659 Preferred shares 135,000,000	9,232,316,590	Share capital of NT \$2,056,690 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 11001004980 dated January 25, 2021
2021.02	10	1,500,000,000	15,000,000,000	Common shares 791,223,659 Preferred shares 135,000,000	9,262,236,590	\$29,920,000 in restricted employee shares	—	Jing-Shou-Shang-Zi No. 11001017410 dated February 5, 2021

Unit: shares

Type of stock	Authorized capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	791,276,850	573,723,150	1,500,000,000	None
Preferred shares	135,000,000			
Total	926,276,850			

Note: Shares of listed companies, including 53,191 shares of convertible corporate bonds that has not completed registration.

(II) Information on shelf registration: None.

(III) Shareholder structure:

1. Common shares

Record date of shareholding: March 30, 2021 (Book Closure Date)

Shareholder structure Quantity	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	1	17	329	38,341	162	38,850
Number of shares held	1,234,000	27,931,362	465,126,259	201,099,842	95,885,387	791,276,850
Shareholding percentage	0.16%	3.53%	58.78%	25.41%	12.12%	100.00%

2. Preferred shares

Record date of shareholding: March 30, 2021 (Book Closure Date)

Shareholder structure Quantity	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	1	4	65	9,075	2	9,147
Number of shares held	10,000,000	3,444,499	80,643,744	40,811,729	100,028	135,000,000
Shareholding percentage	7.41%	2.55%	59.74%	30.23%	0.07%	100.00%

(IV) Dispersion of equity ownership:

1. Distribution Profile of Common Shares Ownership:

March 30, 2021 (Book Closure Date)

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	20,257	1,685,772	0.21%
1,000 to 5,000	13,311	27,984,287	3.54%
5,001 to 10,000	2,508	19,225,974	2.43%
10,001 to 15,000	844	10,522,434	1.33%
15,001 to 20,000	542	9,699,988	1.23%
20,001 to 30,000	469	11,835,156	1.50%
30,001 to 40,000	232	8,233,100	1.04%
40,001 to 50,000	167	7,673,383	0.97%
50,001 to 100,000	261	18,455,760	2.33%
100,001 to 200,000	130	18,203,039	2.30%
200,001 to 400,000	49	13,527,828	1.71%
400,001 to 600,000	17	8,374,865	1.06%
600,001 to 800,000	10	7,084,760	0.90%
800,001 to 1,000,000	8	6,912,817	0.87%
1,000,001 or more	45	621,857,687	78.59%
Total	38,850	791,276,850	100.00%

## 2. Dispersion of Preferred Share Ownership:

March 30, 2021 (Book Closure Date)

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	1,597	396,481	0.29%
1,000 to 5,000	6,997	8,261,642	6.12%
5,001 to 10,000	176	1,364,610	1.01%
10,001 to 15,000	48	630,129	0.47%
15,001 to 20,000	64	1,217,889	0.90%
20,001 to 30,000	34	887,932	0.66%
30,001 to 40,000	24	911,468	0.68%
40,001 to 50,000	13	588,506	0.44%
50,001 to 100,000	76	6,538,576	4.84%
100,001 to 200,000	57	9,517,862	7.05%
200,001 to 400,000	28	8,605,729	6.37%
400,001 to 600,000	5	2,800,000	2.07%
600,001 to 800,000	0	0	0.00%
800,001 to 1,000,000	11	10,640,309	7.88%
1,000,001 or more	17	82,638,867	61.21%
Total	9,147	135,000,000	100.00%

### (V) List of major shareholders (Top 10 by shareholding percentage)

Shares Name of major shareholder	Number of shares held	Shareholding percentage
WPG Holdings	201,393,867	21.74%
ASMedia Technology Inc.	179,000,000	19.32%
Shao Yang Investment Limited	74,739,426	8.07%
Cheng, Wen-Tsung	28,177,112	3.04%
Investment account of CIBC World Markets Inc. under the custody of the Business Department, Standard Chartered Bank	21,406,138	2.31%
First Private High No. 5	17,789,457	1.92%
Prodigy Fund SPC	12,818,206	1.38%
New Labor Pension Fund	11,234,000	1.21%
SinoPac Securities	9,025,000	0.97%
Hsu, Wen-Hung	8,356,543	0.90%

Note: This table shows shareholding percentages for ten largest shareholders with total number of common shares and preferred shares.

(VI) Stock price, net worth, earnings, dividends and related information for the previous two years:

Year		2019	2020	As of Thursday, April 16, 2021 (Note 8)
Item				
Stock price (Note 1)	Max	43.65	43.55	47.50
	Low	34.50	31.20	40.05
	Average	40.09	39.58	43.94
Net worth per share (Note 3)	Before distribution	39.70	56.74	—
	After distribution	36.92	53.46 (Note 4)	—
Earnings per share	Weighted average number of shares (1,000 shares)	585,359	726,519	—
	Diluted Earnings Per Share	4.32	5.22	—
	Adjusted Diluted Earnings Per Share (Note 5)	4.32	5.22	—
Dividends per share (Note 4)	Cash dividends	2.77606941	3.2	—
	Stock dividend s	—	—	—
		—	—	—
	Accumulated unpaid dividend	—	—	—
Return analysis	Price-earnings ratio (Note 6)	9.18	7.45	—
	Price-dividend ratio (Note 7)	14.28	12.16	—
	Cash dividend yield (Note 8)	7.00%	8.22%	—

\* If there is surplus or capital reserve to increase capital allocation, the market price and cash dividend information retrospectively adjusted based on the number of shares shall be disclosed.

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Based on the distribution resolved by the shareholders meeting of the next year.

Note 3:

Calculated by the number of outstanding common shares at the end of the period.

Note 4: Actual distribution for 2020 was based on a resolution of the Board of Directors on April 16, 2021.

Note 5: Based on the weighted average number of outstanding shares in the current year and retrospectively adjusted over the increased weighted average of outstanding shares through capital increases out of earnings or capital surplus throughout the years.

Note 6: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 7: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 8: Cash dividend yield = Cash dividend per share / year's average per share closing price.

Note 9: For the net value per share and earnings per share, data as of the printing date of the annual report has not been certified by CPAs; for the other columns, data was for up to the printing date (April 16, 2021) of the Annual Report in the current year.

(VII) Dividend policy and implementation status:

1. Dividend policy:

The Company's dividend policy is based on the following guidelines:

The Company's dividend policy is determined by the Board of Directors based on its operational planning, investment plans, capital budgets, and internal and external environmental changes. The Company's business is currently in a growth stage, the earnings shall be held to respond to funds required for operational growth and investments. Currently, the Company adopts the minimum cash dividends plus additional dividends. The earnings are distributed as follows:

The earning distribution is based on the principle of not less than 40% of the distributable earnings for the year. Considering future profits and growing demand on funds, for the distribution of stock dividends and cash dividends, the distribution of cash dividends shall not be less than 10% of the dividends distributed in the current year. If the total earning distribution exceeds 30% of the paid-up capital before the distribution, the cash dividend shall not be less than 20% of the dividends distributed in the current year.

2.Dividend distribution to be proposed to the shareholders' meeting:

<b>WT Microelectronics Co., Ltd.</b> <b>Earnings Distribution Statement</b> <b>2020</b>		Unit: NTD
<b>2020 after-tax net profit</b>	<b>\$</b>	<b>3,794,177,505</b>
Less: Remeasurements of defined benefit plan		(4,565,468)
Plus: Disposal of equity instruments measured at fair value through other comprehensive income		174,922,095
Current after-tax net profit plus other profit items included in undistributed earnings in the current year		3,964,534,132
Less: 10% statutory reserve		(396,453,413)
Plus: Reversal of special reserve		791,141,030
Plus: Undistributed earnings from the previous year		4,106,257,447
Accumulated distributable earnings at the end of 2020		8,465,479,196
Items for distribution: (Note 1)		
Preferred share dividends (Note 2)		(57,540,984)
Cash dividends on ordinary shares (Note 3) (NT\$3.20 per share)		(2,532,085,920)
<b>Undistributed earnings at the end of the period</b>	<b>\$</b>	<b>5,875,852,292</b>
Note 1: Earnings in 2020 are distributed first.		
Note 2: 135,000,000 class A preferred shares were issued at the price of NT\$50 on October 15, 2020; calculated at a dividend yield of 4% for preferred shares and the actual number of days issued (78 days in total).		
Note 3: Distribution of dividends is based on 791,276,850 shares issued upon resolution of the Board of Directors on April 16, 2021.		

Chairman: Cheng, Wen-Tsung

Managerial officer: Cheng, Wen-Tsung

Chief Accountant: Yang, Hsing-Yu

(VIII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share:  
Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

(IX) Remuneration to Employees, Directors and Supervisors:

1. Percentage or scope of remuneration to employees, directors and supervisors provided in Company's Articles of Incorporation:

Article 19 of the Company's Articles of Incorporation

If the Company makes profits (which means profits before tax without deducting the remuneration of employees and directors), no less than 1% of such profits shall be distributed to employees and up to 3% to directors and supervisors as their remuneration. If the Company has accumulated losses, the reserve shall be appropriated to offset such losses.

The employee bonuses mentioned in the preceding paragraph shall be distributed by stock or cash to eligible employees, which may include employees of subordinate companies with certain qualifications. The remuneration of directors may only be distributed in cash.

The board of directors shall resolve on the matters mentioned in two preceding paragraphs and report in the General Shareholders' Meeting.

2. Basis for estimating the amount of compensation for employees, directors and supervisors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The distribution of remuneration to directors and supervisors is subject to the requirements of the law and the Company's dividend policy. The appropriated amount is recognized as operating expenses for the current year. However, if the actual distribution amount resolved by the Board of Directors is different from the estimated amount, it is recognized as profit or loss in the following year.

3. Distribution of compensation passed by the Board of Directors:

(1) Employee and directors' remuneration will be distributed in cash or stocks.

a. Employees compensation in cash: NT\$42,800,000.

b. Employees compensation in stock: None.

c. Remuneration to directors: NT\$10,500,000.

The aforementioned amount of the proposed distribution is the same as the 2020 estimated expense.

(2) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined: None.

4. Actual distribution of employee bonus and remuneration of board directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies if any from the amount of employees' bonus and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies:

The Company's estimated employee compensation in 2019 was NT\$29,300,000. There is no difference between the estimated amount and the actual amount distributed. The Company's estimated director compensation was NT\$10,500,000. However, one independent director resigned on February 20, 2020, and the vacancy was filled on March 27, 2020. The absence of one independent director in the period in between led to a smaller amount to be distributed. The actual amount was NT\$10,356,165. The difference was recognized as other income.

(X) Stock buyback: None.



## II. Issuance of corporate bonds

### (I) Issuance of corporate bonds:

Type of Corporate Bonds		Sixth domestic unsecured convertible corporate bonds
Issue date		July 1, 2019
Par value		NT\$100,000
Place of issue and trading		Taiwan
Issue price		Issued at par value
Total amount		NT\$1.2 billion
Interest Rate		Coupon rate of 0%
Maturity		Maturity date of 3-year bond: July 1, 2022
Guarantor agency		None
Trustee		Trust Department, Taiwan Cooperative Bank
Underwriting institution		Grand Fortune Securities Co., Ltd. Mega Securities Co., Ltd.
Certified lawyer		N/A
CPA		N/A
Repayment method		Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in a lump sum cash payment to the holder upon maturity.
Outstanding principal		NT\$382,600,000 (as of March 30, 2021)
Terms of redemption or advance repayment		None
Restriction clauses		None
Names of credit rating agency, rating date, rating of corporate bonds		N/A
Other rights attached	Amount converted to common shares as of the date of report	26,949,039 Shares
	Issuance and conversion method	For details, please refer to the Company's terms of issuance and conversion of the sixth domestic unsecured convertible corporate bonds.
Issuance and conversion, and potential dilution and impact on existing shareholders' equity from the terms of issuance		For the issuance of convertible corporate bonds of NT\$1.2 billion, with a conversion price of NT\$40 at the time of issue, the maximum number of the Company's common stock convertible is approximately 30,000,000 shares. Based on the 586,643,000 outstanding shares issued by the Company at the time of issue, the maximum dilution of shareholding is approximately 4.87%. For shareholders' equity, the conversion of corporate bonds into the Company's common shares not only reduces liabilities, but also increases shareholders' equity, thereby increasing the net value per share. Thus, it better protects shareholders' equity in the long run.
Name of the transfer agent		N/A

(II) Information on convertible corporate bonds:

Unit: NTD

Type of Corporate Bonds		Sixth domestic unsecured convertible corporate bonds		
Item	Year	2019	2020	As of April 16, 2021
	Max	117.70	143.00	166.00
Market price of the convertible corporate bonds	Low	104.80	104.00	150.00
	Average	109.80	122.84	158.22
Conversion price		NT\$28.2		
Issue date and conversion price at issuance		July 1, 2019 NT\$40.0		
Fulfilling the conversion obligation		The Company's common shares is the subject of conversion, and the conversion obligation is fulfilled by issuing new shares. The new shares converted are by way of book-entry transfer, without printing the paper certificate.		

(III) Information on exchange of corporate bonds: None.

(IV) Shelf registration relating to issuance of corporate bonds: None.

(V) Information on corporate bonds with warrants: None.

### III. Issuance of preferred shares:

#### (I) Issuance of preferred shares

Item \ Issue date		October 20, 2020 Class A preferred shares
Par value		NT\$10
Issue price		NT\$50
Number of shares		135,000,000
Total amount		NT\$6,750,000,000
Rights and Obligations	Distribution of Dividends and Bonuses	<p>1.Dividend: The dividend yield of Class A preferred share is 4% p.a. (5-year IRS rate at 0.6125% + fixed bonus rate at 3.3875%) based on the issue price per share. The 5-year IRS interest rate will be reset on the business day following the fifth anniversary of the issue date and every five years afterward. The record date for interest rate reset is the date two business days, as defined for financial institutions in Taipei, prior to the interest rate reset date. The interest rate benchmark, 5-year IRS interest rate, is reset on the record date at 11am if a business day, as defined for financial institutions in Taipei, to be the arithmetic average of PYTWDFIX and COSMOS3 5-year interest rate swaps quoted by Reuter at 11am. If the quotes above are not available on the reset record date, the Company will decide the price in good faith and based on reasonable market prices.</p> <p>2.Dividend distribution: Dividends on Class A preferred shares are paid in one lump sum cash payment each fiscal year. The chairperson is authorized by the Board of Directors or a board resolution to set the record date and the amount of dividends to be paid for the previous fiscal year. In the year of issuance and redemption, the distribution of the payable dividends shall be calculated proportionally based on the actual number of days the Class A Preferred Shares remained outstanding in that year.</p> <p>3.If the Company has earnings, the Company shall first pay all taxes and offset accumulated losses according to the law; and set aside a legal reserve, and provide or reverse special reserves as required by law. Residual earnings in the current year shall first be distributed as dividends to holders of Class A preferred shares.</p> <p>4.The Company has sole discretion on the distribution of Class A preferred share dividends. If there is no earning or insufficient earning for distributing Class A preferred share dividends in the fiscal year, or the Company has other necessary considerations, the Board may decide not to distribute Class A preferred share dividends by a board resolution, and it will not be deemed as an event of default.</p> <p>5.Class A preferred shares are non-cumulative shares. Undistributed dividends or shortfalls will not be carried over to be paid in a year with a positive surplus.</p> <p>6.Except for the dividend prescribed in Items 1 and 2, holders of Class A preferred shares are not eligible for the dividend entitlements of common shares, including earnings distribution and capital reserves distributed in cash or being reallocated as capital.</p>

Item		Issue date	October 20, 2020 Class A preferred shares
	Distribution of remaining assets	Class A preferred share shareholders have priority to the company's remaining property over common share shareholders, and have the same seniority as other preferred share shareholders and second only to creditors. However, the amount is subject to a maximum limit equal to the preferred shares outstanding at issue price.	
	Exercise of voting right	The holders of Class A preferred shares are not entitled to any voting rights or election during general shareholders' meetings. Holders of outstanding Class A preferred shares have mandatory voting rights with respect to agendas that would affect preferred shares in preferred shareholders' meetings and in general shareholders' meetings.	
	Other	1. Class A preferred shares cannot be converted into common shares. 2. When the company makes a cash issue, Class A preferred share shareholders and common share shareholders have the same preemptive subscription rights. 3. If any Class A preferred shares remain outstanding, except to make up for losses, share premiums of Class A preferred shares should not be capitalized into share capital.	
Outstanding preferred shares	Amount recovered or converted	NT\$0	
	Amount not yet recovered or converted	NT\$6,750,000,000	
	Terms for recovery or conversion	1. Class A preferred shares are perpetual preferred shares. Holders of Class A preferred shares have no right to request redemption of such shares by the Company. However, the Company may redeem Class A preferred shares in whole or in part at the actual issue price after the day following the fifth anniversary of issuing. The rights and obligations associated with Class A preferred shares that are not recovered will continue as provided in the terms of issuance. Holders of the outstanding Class A Preferred Shares are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should the Company decide to declare dividends for the redemption year. 2. Class A preferred shares cannot be converted into common shares.	
Stock price	2020	Max	49.00
		Low	47.25
		Average	48.15
	As of April 16, 2021	Max	48.40
		Low	47.30
		Average	47.82
Other rights attached	Amount exchanged or subscribed as of the date of report	Class A preferred shares cannot be converted into common shares.	

<div> <div>Item</div> <div>Issue date</div> </div>	<div> <div>October 20, 2020</div> <div>Class A preferred shares</div> </div>
<div> <div></div> <div>Issuance and conversion or subscription method</div> </div>	<div> <div>Please refer to the Company's Articles of Incorporation.</div> </div>
<div> <div>Impact of the terms of issuance on preferred share shareholders' equity, possible dilution of equity, and impact on shareholders' equity</div> </div>	<div> <div>None.</div> </div>

(II)Information on preferred shares with warrants: None.

IV. Issuance of global depositary receipts (GDR): None.

V. Issuance of employee stock options:

(I) Issuance of employee stock options

April 16, 2021

Employee stock options	Fifth issuance
Date of approval by competent authorities	March 16, 2021
Issue date	March 18, 2021
Units granted	Total amount of issuance: 12,000 units
Units granted to total shares issued and outstanding (Note)	1.29558%
Duration	6 years
Exercise	<ol style="list-style-type: none"> <li>1. The Company delivers new shares via book entry, and first issues shares before registering the change in capital in accordance with the proviso in Article 161, Paragraph 1 of the Company Act.</li> <li>2. Where the new shares are delivered to employees of overseas subsidiaries, it is delivered to the employee collective investment account opened by the overseas subsidiary at the custodial bank. The account may only sell shares obtained by employees who exercise their subscription right and receive stock dividends, and may not engage in other stock transactions.</li> </ol>
Vesting schedule and quota (%)	<p>Holders may follow the schedule below to exercise the options after two years have elapsed since the options are granted:</p> <p>2nd anniversary of the grant date: 50%</p> <p>3rd anniversary of the grant date: 75%</p> <p>4th anniversary of the grant date: 100%</p>
Units exercised (shares)	0
Amount exercised (NT\$)	NT\$0
Units unexercised (shares)	12,000,000
Exercise price for unexercised units	NT\$46.80
Units unexercised to total outstanding shares (%) (note)	1.29558%
Impact on shareholders' equity	The options cannot be exercised until two years have elapsed since the issue date. The maximum percentage to be exercised is 50% in two years, 75% in three years, and 100% in four years. Dilution of existing shareholders' equity will take place over several years, and there is no material impact.

Note: Based on 926,223,659 shares issued as registered with the Ministry of Economic Affairs on February 5, 2021.

(II) Names of executive officers receiving warrants and names of Top 10 employees in entitlement, and status of exercise and subscription:

	Title	Name	Units exercised	Units exercised to total outstanding shares	Exercised				Unexercised			
					Units subscribed	Subscription price	Subscription amount	Units subscribed to total outstanding shares	Units subscribed	Subscription price	Subscription amount	Units subscribed to total outstanding shares
Executive officers	President	Cheng, Wen-Tsung	2,310,000	0.2494%	0	0	0	0	2,310,000	46.8	108,108,000	0.2494%
	Senior Vice President	Hsu, Wen-Hung										
	Senior Vice President	James Wen										
	Senior Vice President	Jack Yang										
	Senior Vice President	Rick Chang										
	Vice President Manager	Willie Sun										
	Vice President and CFO	Yang, Hsing-Yu										
	Assistant Vice President and Finance Supervisor	Jason Lu										
Employee	Marketing and Sales Manager	Jerry Wang	3,100,000	0.3347%	0	0	0	0	3,100,000	46.8	145,080,000	0.3347%
	Engineering Manager	Bob Wang										
	Operations Officer	Tim Wu										
	Sales Manager	Austin Wu										
	Sales Manager	Tom Lee										
	Sales Manager	Kevin Lin										
	Engineering Manager	Morris Lin										
	Sales Manager	Irene Shi										
	Sales Manager	Brian Ko										
	Sales Manager	Richard Hsu										
	Sales	Jerry										

	Manager	Chang										
	Human Resources and Administration Manager	SY Chang										
	Marketing and Sales Manager	William Chen										
	Legal Officer	Sophia Tseng										
	Sales Manager	Joseph Tzou										
	Sales Manager	Jacky Liu										
	Sales Manager	Frank Liu										
	Sales Manager	Jerry Su										
	Head of Korean subsidiary	YOO HYUNG JIN										

Note: Based on 926,223,659 shares issued as registered with the Ministry of Economic Affairs on February 5, 2021.



VI. Issuance of new restricted employee shares:

(I) Issuance of new restricted employee shares:

Category of new restricted employee shares	First issuance (2021)
Date of approval by competent authorities	July 28, 2020
Issue date	January 18, 2021
Number of outstanding restricted employee shares	2,992,000
Issue price	NT\$0 per share
Outstanding restricted employee shares to total outstanding shares (Note)	0.32%
Vesting conditions for new restricted employee shares	<p>1. The restricted employee shares shall be vested on the dates and in the percentages in accordance with the following schedule and subject to the employee's continuous employment with the Company from the grant date through the vesting dates:</p> <p>A. 1st anniversary of the grant date: 25% of the vesting shares.</p> <p>B. 2nd anniversary of the grant date: 25% of the vesting shares.</p> <p>C. 3rd anniversary of the grant date: 25% of the vesting shares.</p> <p>D. 4th anniversary of the grant date: 25% of the vesting shares.</p> <p>A vesting date will be moved to the preceding business day if it falls on a holiday.</p> <p>2. After the restricted employee shares are granted to the employee, the Company shall have the right to revoke and cancel the unvested restricted employee shares in the event that the employee breaches/violates any of terms of the employment agreement, employee handbook or policies/regulations of the Company.</p>
Restricted rights for new restricted employee shares	<p>1. Except to inherit, employees shall not sell, pledge, transfer, or gift their new restricted employee shares to others, create a pledge or dispose the shares in any way.</p> <p>2. The rights to attend, submit a proposal, speak, vote, and be elected at shareholders' meetings are identical to those for outstanding common shares. The rights are exercised according to the trust agreement.</p> <p>3. Other rights include but are not limited to: the right to receive interests, dividends, statutory reserve, and capital surplus and the right to subscribe to cash issues. The rights are identical to those for the outstanding common shares. The shares are not required to be kept in trusts or be subject to a vesting period.</p> <p>4. If the Company reduces capital as resolved in the shareholders' meeting, this issue of new restricted employee shares shall be reduced by the percentage of shares held by</p>

	<p>the employees receiving the shares. In addition, the shares come with rights identical to those for common shares, but the payments to be returned in cash or noncash assets will have to be placed in trusts and not be given to employees until the vesting conditions are met. Where an employee fails to meet the vesting conditions, the Company will retrieve the cash or assets.</p> <p>5.Regarding the period between the ex-dividend date for dividend distribution, ex-dividend date for cash dividends, ex-dividend date for cash issue subscription, ex-dividend date for shareholders' meeting in Article 165, Paragraph 3 of the Company Act, or other statutory ex-dividend date and the ex-rights date, the timing and procedure for removing restrictions for employee who meet the vesting conditions during this period will be executed according to the trust agreement or related regulations.</p> <p>6.Employees who receive new restricted employee shares and are citizens of the Republic of China shall place the shares into a trust institution designated by the Company promptly after they receive the shares. These employees shall not ask the trustee to return any of the new restricted employee shares in any way for any reason. Employees who receive new restricted employee shares and are not citizens of the Republic of China shall place the shares into a custodian bank.</p> <p>7.Handling of acquisitions and mergers: Unvested shares may be modified as specified in a merger or acquisition agreement or plan.</p>
Custody of new restricted employee shares	The shares will be held in trust, and the trust/custodial agreement will be entered into by the Company or a person appointed by the Company on behalf of all employees receiving shares with the trust/custody institution. The Company and the person appointed by the Company will also modify the trust/custodial agreement with full discretion on behalf of these employees.
Handling of shares received or subscribed by employees who subsequently fail to meet the vesting conditions	The Company will revoke and cancel the unvested restricted employee shares.
Number of revoked or bought back new restricted employee shares	0
Number of new restricted shares with restrictions removed	0
Number of new restricted shares with restrictions not removed	2,992,000
New restricted shares with restrictions not removed to total outstanding shares (%) (Note)	0.32%

Impact on shareholders' equity	The dilution of the Company's EPS is estimated to be approximately in the amount of NT\$0.04 in 2021, NT\$0.04 in 2022, NT\$0.04 in 2023, and NT\$0.04 in 2024. There is a limited dilution of the Company's future EPS, and there is no material impact on existing shareholders' equity.
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Note:Based on 926,223,659 shares issued as registered with the Ministry of Economic Affairs on February 5, 2021.

(II) Names of executive officers receiving restricted employee shares and names of Top 10 employees in entitlement, and status of exercise:

	Title	Name	Number of new restricted employee shares	Units of new restricted employee shares exercised to total outstanding shares (Note)	Restrictions removed				Restrictions not removed			
					Number of shares with restrictions removed	Issue price	Issue amount	Units with restrictions removed to total outstanding shares (Note)	Number of shares with restrictions not removed	Issue price	Issue amount	Units with restrictions not removed to total outstanding shares (Note)
Executive officers	Senior Vice President	Jack Yang	184,000	0.0199%	0	0	0	0	184,000	0	0	0.0199%
	Senior Vice President	Rick Chang										
	Senior Vice President	James Wen										
	Vice President	Willie Sun										
	Vice President and CFO	Yang, Hsing-Yu										
	Assistant Vice President and Finance Supervisor	Jason Lu										
Employee	Engineering Manager	Bob Wang	440,000	0.0475%	0	0	0	0	440,000	0	0	0.0475%
	Marketing and Sales Manager	Tony Chiang										
	Operations Officer	Tim Wu										
	Sales Manager	Austin Wu										
	Sales Manager	Tom Lee										
	Sales Manager	Kevin Lin										
	Engineering Manager	Morris Lin										
	Sales Manager	Irene Shi										
	Sales Manager	Brian Ko										
	Sales Manager	Richard Hsu										
	Sales	Jerry										

	Manager	Chang										
	Human Resources and Administrati on Manager	SY Chang										
	Marketing and Sales Manager	William Chen										
	Legal Officer	Sophia Tseng										
	Sales Manager	Joseph Tzou										
	Sales Manager	Frank Liu										
	Head of Korean subsidiary	YOO HYUN G JIN										

Note:Based on 926,223,659 shares issued as registered with the Ministry of Economic Affairs on February 5, 2021.

VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:

(I) Please disclose the following items if a company has completed a merger or acquisition or had a third party's new issues, the following disclosure shall be made

Evaluative opinions submitted by the lead underwriter for mergers, acquisitions or issuance of new shares for acquisition of shares of other companies in the most recent quarter:

**WT Microelectronics Co., Ltd. assigned new shares of another  
company**

**The lead underwriter's opinion on the impact on the issuer's  
finances, sales and shareholders equity**

**Q1 2021**

**Grand Fortune Securities Co., Ltd.**

**April 2021**

# **WT Microelectronics Co., Ltd. assigned new shares of another company**

## **Lead Underwriter's Opinion**

WT Microelectronics Co., Ltd. issued new shares in a swap for new shares of ASMedia Technology Inc. ("ASMedia Technology") in 2020. The issue was filed with the Financial Supervisory Commission under the FSC Letter Jin-Guan-Zheng-Fa-Zi No. 1090337510 dated April 17, 2020. The record date for the stock swap was April 21, 2020. Change of registration was completed with the Ministry of Economic Affairs by the Letter Jing-Shou-Shang-Zi No. 10901067640 dated May 21, 2020. According to Article 9, Paragraph 1, Subparagraph 8 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, WT Microelectronics Co., Ltd. asked the lead securities underwriter to provide an assessment opinion as to whether any of the aspects of its stock swap with ASMedia Technology would have an effect on the finances, business, and shareholders' equity of WT Microelectronics as of Q1 2021.

### **I. Effect on finances**

The stock swap enables WT Microelectronics and ASMedia Technology to help each other in semiconductor distribution and IC design. The two companies will be able to combine resources and expand their operations to become more competitive in their respective industries. While trying to grow in size, WT Microelectronics creates a strategic alliance through a stock swap with ASMedia Technology. It is not expected to have any material effect on the company's finances. Furthermore, for a semiconductor distributor, the aim of its business strategies is not only to secure relationships with its suppliers whose products it distributes, but also to develop friendly partnerships with downstream customers. Therefore, the payment term with a supplier is usually shorter than the collection period with a customer. The main source of working capital for WT Microelectronics is revolving bank loans within the lending terms. As a result, WT Microelectronics has a debt ratio that rises every year. For the purpose of staying competitive in the long term amid constantly changing economic conditions and fierce market competition, the two companies will see effectively improved financial structures after the stock swap. The improvement can be expected to provide a strong foundation for future growth and make a positive contribution to a company's financial structure. Regarding the individual financial statements of WT Microelectronics, the debt ratio has fell from 72.43% at the end of 2019 to 58.38% at the end of 2020. The debt ratio on the unaudited individual financial statements for February 2021 was 56.86%. The financial structure appeared to be healthier than it was at the end of 2019. Hence, both companies have effectively lowered the debt ratio and optimized the financial structure after the stock swap.

## II. Effect on business

Once the stock swap is complete, the two companies will embark on a strategic alliance. WT Microelectronics has created a team dedicated to promoting ASMedia Technology's products. The team will be working closely with ASMedia Technology, and ASMedia Technology will provide full training on products and applications for the team. The team's mission is to help ASMedia Technology quickly increase exposure in China and to provide real-time application support. ASMedia Technology's high speed control chip is one of the core chips. Therefore, other chips (e.g. analog and power management IC) need to build on a core chip to coordinate system design. As an alternative, WT Microelectronics can try to cross sell by promoting ASMedia Technology's high speed control chip and the existing products being distributed by WT Microelectronics at the same time. The approach will make it easier to provide total solutions for system buyers, and double the possibilities in terminal performance and the plasticity of applications. WT Microelectronics will be able to increase market share across product lines. Hence, the stock swap should have a positive effect on business growth for WT Microelectronics.

## III. Effect on shareholders' equity

WT Microelectronics issued 171,000,000 new shares in the stock swap with ASMedia Technology. These new shares account for 21.61% of the 791,277,000 outstanding common shares of WT Microelectronics as of the ex-dividend date (March 30, 2021). There will be a certain level of dilution for WT Microelectronics shareholders in the short term. However, WT Microelectronics and ASMedia Technology is entering a strategic alliance through a stock swap instead of a merger. Apart from allowing both companies to continue to work in their relative fields, ASMedia Technology's tech support will enable WT Microelectronics to differentiate itself from its competitors in semiconductor distribution. It will give WT Microelectronics an edge in products and services, and help it achieve better overall business performance and profitability. It is expected that once the two companies start generating synergy, both will become more competitive in their industries. They can be expected to create maximum value for shareholders in the long term. Hence, the stock swap should be able to make a positive contribution to the shareholders' equity for WT Microelectronics.

## IV. Whether the benefits of stock swap are realized

Regarding the stock swap between WT Microelectronics and ASMedia Technology, the two companies complement each other in business operations and combine technical service teams, customers and other resources. There should be a positive effect on its finances, business, and shareholders' equity. Based on the debt ratios in the 2020 audited financial statements and the unaudited individual financial statements ending February 2021, WT Microelectronics has



effectively reduced its debt ratio and improved its financial structure since the stock swap with ASMedia Technology. In addition, ASMedia Technology's EPS for 2020 was NT\$44.16. It shows that WT Microelectronics will be allocated a steady stream of profit and enjoy the company's success according to its shareholding percentage. Hence, the stock swap has already had a positive effect on the finances of WT Microelectronics. With more details of the alliance being implemented, more benefits of the stock swap on business are expected to appear.

- (II) The status and profile of the acquired or assigning company should be disclosed where the board of directors has passed a resolution to acquire or be assigned new shares of another company in the most recent year and as of the printing date of the annual report:

1. The status of the Board of Directors' resolutions to acquire or be assigned new shares of another company in the most recent year up to the printing date of the annual report:

The Board of Directors passed a resolution on February 21, 2020 to initiate a stock swap with ASMedia Technology Inc. ("ASMedia Technology"). The Company would issue 171,000,000 new common shares in a swap for 9,000,000 common shares of ASMedia Technology. The swap ratio was to be 19 common shares of the Company for 1 common share of ASMedia Technology. The record date for the stock swap was April 21, 2020. The swap ratio was deemed reasonable as stated in the reasonableness opinion issued by an independent expert at the Joint CPA Firm. The application to be assigned new shares of another company was filed with the FSC and came into effect on April 17, 2020. Change of registration was approved by the Ministry of Economic Affairs on May 21, 2020.

2. Profile of assigning company:

Unit: NT\$1,000, but NT\$ for EPS

Company name		ASMedia Technology Inc.
Company address		6F., No. 115, Minquan Rd., Xindian Dist., New Taipei City
Person in charge		Shen, Zhen-Lai
Paid-in capital		692,229
Main business activities		Design, development, production, and manufacturing of high speed analog circuits
Main products		High speed interface controller chips, high speed control chips and others at device end
Financial statements for the most recent year	Total Assets	15,690,529
	Total liabilities	1,588,952
	Total shareholders' equity	14,101,577
	Operating Revenue	6,987,470
	Operating margin	3,343,785
	Operating income	3,643,685
	Current profit and loss	2,927,912
Earnings per share		44.16

VIII. Financing plans and implementation:

Capital raising					Implementation of financing plans
Method	Amount	Receipt date:	Purpose	Subjects	
In 2020, cash issue of Class A preferred shares	NT\$6.75 billion	October 15, 2020	Repayment of bank loan	100% publicly offered	Followed the fund utilization plan to finish repaying bank loans in 2020 Q4

## Chapter 5. Business Overview

### I. Business Activities

#### (I) Business scope:

##### 1. Major business activities:

- (1) Processing, manufacturing, research and development, trading, and import and export of various electronic components and finished products.
- (2) Manufacturing, trading, and import and export of various telephone equipment and components.
- (3) General import and export trade business.
- (4) Agency of quotations and tenders for domestic and foreign vendors.
- (5) I301010 Software Design Services.
- (6) F218010 Retail Sale of Computer Software.
- (7) F118010 Wholesale of Computer Software.
- (8) G801010 Warehousing and Storage.
- (9) F113070 Wholesale of Telecoms Instruments.
- (10) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Percentage of sales revenue:

Unit: NT\$1,000

Product name	2020	Percentage of sales revenue
Analog IC (including linear IC)	152,587,261	43.21%
Micro controller	27,276,279	7.72%
Memory IC	26,633,620	7.54%
Discrete component	25,458,918	7.21%
Microprocessor	22,197,989	6.28%
Mixed signal IC	15,670,128	4.44%
Application specific IC	14,893,001	4.22%
Other	68,434,999	19.38%
Total	353,152,195	100.00%

##### 3. The Group's current product (service) items:

###### (1) Semiconductor brands distributed

Ambarella, ASMedia, ADI, Broadcom, Cree, Diodes, ESMT, Intel, Lumileds, Magnachip, Marvell, Maxim, Maxlinear MediaTek, Microchip, Micron, MPS, Nanya, Navitas, NXP, Nuvoton, OMNIVISION, ON Semiconductor, Osram, PixArt, Qualcomm, Renesas, Realtek, Richwave, Silergy, Silicon Lab, Skyworks, STMicroelectronics, Synaptics, Vishay, etc.

###### (2) Agent semiconductor products

Logic IC, mixed signal IC, Linear IC, Application specific IC, discrete component,

storage IC, Image sensing IC, high-speed interface component, interface and control driver component, analog IC, signal processing and conversion components, programmable IC, microprocessor, memory, etc.

4. New products (services) to be developed:

For the products' future trend, the Company will focus on four research and development objectives, namely (1) motor control; (2) network communication; (3) AI deep learning and smart image recognition; and (4) optoelectronic system design.

(II) Industry overview:

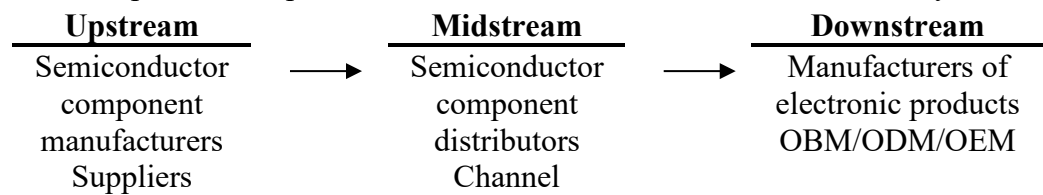
1. Current industry trends and future outlook:

Following the rapid development of the electronics industry, the scale of the global semiconductor industry has continued to grow. In order to respond to the rapid changes in the market, downstream electronics manufacturers need to continuously develop new products and reduce the product-to-market lead time, in order to seize business opportunities and become a first mover. However, upstream semiconductor integrated device manufacturers (IDM) and Fabless are more focused on improving processes and developing new products in order to save production costs and respond to rapidly-changing end markets, so they are unable to provide downstream manufacturers with comprehensive information and technical support.

In order for the semiconductor supply chain to operate effectively, semiconductor distributors are beginning to take responsibility to provide manufacturers with logistics, technical support and related product information. Upstream suppliers have moved sales and support services to semiconductor distributors, and semiconductor distributors provide downstream customers with market information and product application technical support to help shorten the time-to-market. At the same time, as downstream customers expand their production bases, semiconductor distributors also need to deploy more operating bases and warehouse facilities overseas to effectively provide services, such as customer logistics and technical support, and strive to expand the distribution territory of vendors' products to enhance international competitiveness.

Faced with the challenges of rapid industrial changes and competition in the industry, the key to the success of a semiconductor distributor is its professional service quality and speed. As the development of the semiconductor industry becomes growingly faster, the life cycle of electronic components become shorter. In addition to expanding market and serving customers, semiconductor distributors also need to play the role of sharing inventory costs and reducing payment collection pressure. For vendors, having semiconductor distributors support customers in the development of new products enables them to focus on the development of new technologies and new products, and enhance their international competitiveness. Therefore, more and more vendors have developed more market opportunities through close cooperation and effective division of labor with semiconductor distributors.

## 2. The relationship between upstream, midstream and downstream in the industry:



In the semiconductor distribution supply chain, upstream companies are semiconductor integrated device manufacturers (IDM) and fabless, downstream companies are electronics manufacturers. Semiconductor distributors are defined as the bridge between the upstream and downstream, providing professional supply chain management for both.

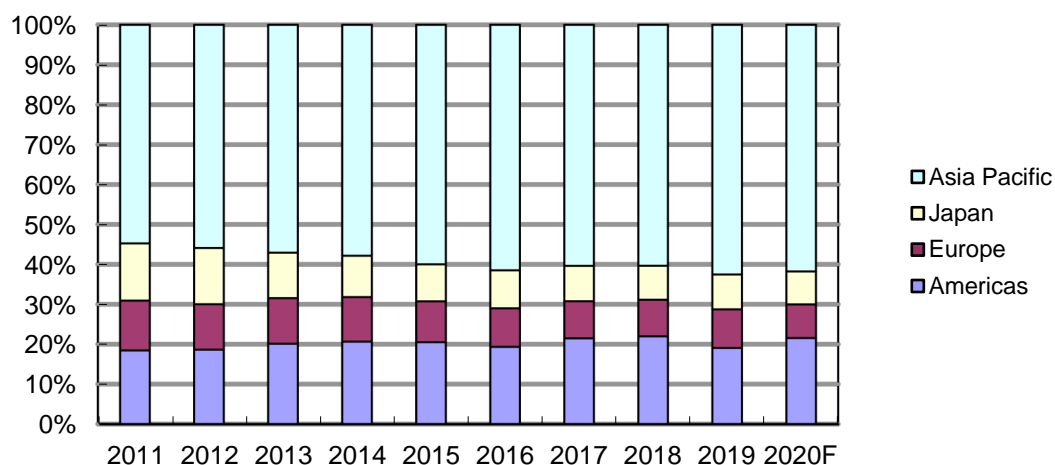
With the accelerated changes in the electronics industry, the shortened product life cycle, and the narrowing of product differentiation, upstream vendors are increasingly focused on new product development and process improvement in order to increase competitiveness, and continue to transfer their original business marketing operations, which provides product information and technical support services to customers, to semiconductor distributors. Similarly, in order to take business opportunities and shorten time to market, downstream electronics manufacturers focus on the development of new applications, and rely more on the supply chain logistics services provided by semiconductor distributors to shorten supply schedule of components and reduce inventory, while enjoying more flexible payment terms.

In recent years, as the role of semiconductor distributors in the semiconductor supply chain has been transformed from pure buy-and-sell to professional value-added service providers, services now encompass business marketing, logistics/inventory management, technical support, financial leverage, etc. Therefore, the industrial value of semiconductor distributors has increased with each passing day, regarded by vendors and customers as strategic business partners.

## 3. Current status of the global semiconductor market:

Asia, especially China, has become the world's major production base since 2000 due to the competitive advantage it enjoys from its low cost. According to statistics of the World Semiconductor Trade Statistics (WSTS), it is clear that the global semiconductor market is continuing its move to Asia. According to estimates in the December 2020 report of the WSTS, the semiconductor market scale reached US\$267.6 billion in 2020, accounting for 62% of the global market. If combined with the Japanese market of US\$35.8 billion, Asia's semiconductor market accounts for more than 70% of the global semiconductor market. Asia has become the fastest growing market for the global semiconductor distribution industry.

### Semiconductor market share by region



Source: World Semiconductor Trade Statistics (WSTS)

### Global semiconductor industry sales from 2016 to 2020

Unit: 100 million USD

Region	2016		2017		2018		2019		2020F	
Americas	655	19%	885	21%	1,030	22%	786	19%	933	22%
Europe	327	10%	383	9%	430	9%	398	10%	365	8%
Japan	323	10%	366	9%	400	9%	360	9%	358	8%
Asia-Pacific	2,084	61%	2,488	60%	2,829	60%	2,579	63%	2,676	62%
Global Market	3,389	100%	4,122	100%	4,688	100%	4,123	100%	4,331	100%

Source: World Semiconductor Trade Statistics (WSTS)

#### 4.Product trends and competition

Breaking down product lines agented by the Group by field of application, computers and peripherals account for 23.3%, communication & network products account for 48.5%, consumer electronics account for 12.6%, industrial control applications account for 7.3%, and automotive electronics account for 5.3%.

##### (1)Computers and peripherals

According to Gartner's report in January 2021, the global PC market includes desktop computers, laptop computers, and ultramobile devices (e.g. Microsoft Surface), but excludes Chromebook and iPad. Total shipment in 2020 was 0.275 billion devices, up 4.8% compared to 2019. This was the largest growth in 10 years.

According to Gartner, in spite of growing demand leading to the continuing supply shortage, the global PC market finished 2020 with a strong performance. It achieved an increase for 3 consecutive quarters, and strong customer demand fueled sales growth, particularly in places where lockdown remains in effect.

"Mobile first" was already a consumer trend before 2020. However, the coronavirus has completely reverse the trend. With more consumers relying on personal computers to work and learn and to engage in social and recreational activities at home, personal computers are now one of the essential equipment.

The rush to meet work-from-home needs had peaked in early 2020, and so the expenditure on business PCs started falling again in 2020 Q4. Nevertheless, some regions, including China, are starting to see economic recovery, and the commercial market is slightly stronger.

Reports show that the coronavirus has triggered the strongest demand for consumer PCs in the last decade, and created a massive growth opportunity for PCs in 2020. The momentum may continue in the first half of 2021 and beyond. Whether it will survive the pandemic remains to be seen as the continuing existence of the demand driving change will be the deciding factor. Examples of such change include whether schools continue to provide online classes, whether consumers continue to shop online for everyday necessities, and whether businesses continue to implement full- or part-time remote working.

Gartner did not include Chromebook shipments in the traditional PC market survey. Total Chromebook shipments in 2020 rose by more than 80% to reach close to 30 million devices. The increase was mainly driven by demand in the North American education market.

Gartner went on to forecast that the global PC (including desktops, laptops, and ultramobile (e.g. Microsoft Surface) but not Chromebook or iPad) market growth will be 0.6% and -4.3% in 2021 and 2022, respectively.

##### (2)Communications equipment

The communication equipment industry has already ushered in a turning point in 2019. The growth momentum is mainly from next generation 5G communication



technology. The latest report published by UBS wealth management in December 2020 claims that the accelerated global 5G race will drive growth in 5G related industries, such as semiconductors, chip manufacturing, telecommunication equipment, and base station operations. The development of platforms will also benefit from the acceleration. Capital investment in related communications equipment can be expected to double from US\$7.5 billion last year. The amount is expected to skyrocket to US\$150 billion by 2025. The report predicts that telecom companies around the world will be expanding their 5G networks in the next few years. It will involve huge investment in technologies and telecommunications infrastructure. UBS estimates that, based on the lifecycle, the cost to deploy 5G would be 30% higher than the cost for 4G for China. It will mean a total global investment of hundreds of billions of US dollars to enable WiFi networks to support 5G from front- to -back-end office, thereby triggering growth in the global communications equipment market.

### (3) Mobile Phones

The global mobile phone market has experienced significant growth in the past 10 years since 2000, but since 2014, the mobile phone market has become increasingly saturated with the sharp increase in penetration of smart phones and the elimination of subsidies by operators. According to Gartner's statistics, global mobile phone shipments totaled 1.52 billion units in 2020, down about 13.2% from 2019. Among them, smart phones accounted for 1.38 billion units, down 10.5% from 2019. The decline was less than the overall mobile phone market, and the ratio to total sales increased to 91%.

Gartner believes that the coronavirus has huge and negative impact on the mobile phone market, but the market will start to recover in 2021. Growth is estimated at 9.4%. Meanwhile, Gartner expects the prevalence of 5G mobile phones to begin growing in 2020 as prices decline, the coverage of 5G services increases, and the user experience is improved for 5G mobile phones. Shipments of 5G mobile phones by 2023 are expected to account for 50% or more of all shipments in 2020.

### (4) Cloud data center

AI and 5G technology continue to drive demand for cloud applications. More and more hyper-scale data centers will be built worldwide. According to Gartner's latest forecast, the global data center infrastructure expenditure is expected to reach US\$200 billion in 2021, up 6% compared to 2020. While the data center expenditure fell by 10.3% in 2020 due to limited cash flows in the pandemic, the data center market is expected to maintain positive growth until 2024.

According to Gartner, the top priority for many businesses in 2020 was to stay active, and so data center growth was generally pushed back until the market entered the recovery stage. Larger enterprises suspended data center projects in 2020, and can be expected to reopen expansion plans in early 2021. However, ongoing investment in public clouds is maintaining fast growth in hyper-scale data centers.

#### (5) Industrial control

In the field of industrial control, the security monitoring market has been growing rapidly in recent years. With the global increase of security awareness, coupled with the trend of digitalization, high image quality and networking, it will become the driving force for the continued development of the security monitoring industry.

In the future, the business opportunities of the fourth wave of industrial revolution, "Industry 4.0," are highly anticipated. The basic system design architecture of "Industry 4.0" mainly integrates a large number of sensors, actuators, automatic control systems, mesh networks and multi-network architectures. With the smart production structure of the systematic design, the data from production equipment and sensing endpoint is returned to the cloud for integration, and big data is analyzed to optimize the production process and detect production problems, in order to coordinate stocking, inventory, shipping and sales to achieve the lowest cost, thus maximizing profitability. Due to the trend of "Industry 4.0," it is expected that future smart production demand will continue to optimize microcontroller and sensor design, and inject new growth momentum into the semiconductor component market with promising prospects.

According to Gartner's latest forecast, the industrial semiconductor output value will grow at a compound growth rate of at least 10% per annum from 2021 to 2024. Among which, digitalization and electronic technology is gradually replacing the traditional model in the fields of industrial automation, testing/measurement, security monitoring, energy management, etc., providing momentum for the long-term development of industrial electronics.

#### (6) Automotive electronics

In recent years, under the comprehensive consideration of driving safety and humanization, the Advanced Driver Assistance System (ADAS) has gradually become a new manifestation, attracting international automakers to compete for automotive electronization. They work with semiconductor companies to integrate automotive and electronic control technologies to launch Internet of Vehicle solutions. In addition, under the requirements of government policies in various countries, applications such as anti-lock braking system (ABS), tire-pressure monitoring system (TPMS), electronic brake assist (EBS), lane departure warning system (LDWS), etc., have become standard equipment. Various sensors, microprocessors and control technologies have also driven the automotive semiconductor market to flourish.

In the future, automotive electronization will continue, and the semiconductor content rate on each vehicle will continue to increase. According to Gartner's report, the revenues of automotive semiconductors in 2020 exceeded US\$37.4 billion, and the compound annual growth rate (CAGR) will exceed 14% between 2021 and 2024. Growth momentum mainly comes from advanced driver assistance systems (ADAS), in-vehicle infotainment, (IVI) and electric vehicles (EV). Among them, advanced driver assistance system (ADAS) will have a CAGR of 26% between 2021 and 2024.

EV will also be an important driving force for future automotive semiconductors. By 2025, the penetration rate of EV will reach 25% to 30%. The CAGR will exceed 20% between 2021 and 2024. In addition, according to Gartner's report, the value of semiconductor equipped in each vehicle will grow at a CAGR of about 5% to 10%. It can be seen that even without considering the growth of vehicle shipments, the automotive semiconductor market is still huge.

### (III) Overview of Technology and R&D:

#### 1. Future research and development plan

The Group is mainly a professional channel operator of electronic components. For the products' future trend, the Company will focus on the four research and development objectives, namely (1) motor control; (2) network communication; (3) AI deep learning and smart image recognition; and (4) optoelectronic system design. At present, some relevant products have been successfully developed, further enabling customers to shorten the R&D design schedule, quickly solve and clarify problems, and assist customers in solving design and production problems.

#### 2. R&D personnel and their education and work experience

The main work of the R&D personnel is to formulate various project plans according to the market development trend, systematically carry out product development work, and further complete testing and verification to establish technological advantages. The Group attaches great importance to the quality and professional education of R&D personnel. All R&D personnel have college education or above, and most of them have worked in research and development and are familiar with the process of customers' R&D, so that product development work and specifications can meet customer needs.

#### 3. R&D expenses in the most recent year and as of the date of this annual report

Unit: NT\$1,000

Item	IFRSs consolidated information for 2020	IFRSs consolidated information as of February 28, 2021
Net operating revenue	353,152,195	63,865,017
R&D expenses	385,971	47,492
R&D expenses as a percentage of revenue	0.11%	0.07%

#### 4. Successfully developed technologies and products

Product Name	Field of Application
Full HD WDR Dual Channel Car Black Box	Automotive
Full HD WDR IP Camera	Surveillance
HD Pico Projectors	Consumer/Industrial

Product Name	Field of Application
Sensorless BLDC Motor with Six Step Square Wave / quasi-sinusoidal control	Industrial/Automotive
Sensorless BLDC Motor with vector control	Industrial/Automotive
Smart coffee machine	Consumer
Electric bicycle motor control	Industrial/Automotive
Tire-pressure monitoring system	Automotive
Digital power supply	Server power supply
Smart energy-saving power grid management system	Home Automation
WiFi mobile cloud storage system	Consumer
Electronic faucet	Home Automation
Wireless charging (including transmission (TX) and reception (RX))	Mobile device (peripherals)
Infrared remote control for smart phones and tablets	Mobile device
Smart bracelet	Consumption market
Power bank	Consumption market
SOM (System on module)	Applications of embedded system in industrial computer
E-meter (Power meter)	Server power measurement
Smart Bulb	Home Automation (HA)/ IoT
Home Gateway	Home Automation (HA)/ IoT
Sensor hub for smartphones and tablets	Mobile device
Pedometer	Wearable device consumer market
Smart ECG module reference design	Mobile device
Digital power reference design for servers	Server power supply
Secondary optical lens in LED TV backlight reference design	LED TV
Personal wireless transmission sensing device and Bluetooth 5.0 broadcast reference design	Mobile device
Optical reference design for night vision illumination and time-of-flight ranging	Industrial security
High power isolated Ethernet power supply reference design	Network communication

#### (IV) Long-term and Short-term Business Development Plans

##### 1. Short-term Business Development Plans

##### (1) Marketing strategies

A. Expanding agent product lines in automotive electronics, cloud data centers, smart Internet of Things, 5G related applications, industrial control, green energy, and medical instruments:

The Group's communications, networking, imaging, computers, and high-

performance power application components product lines all have a considerable sales base. In addition to continuing to develop and grow in the area of traditional 3C products, the Company will continue to optimize its product portfolio, introduce new product lines that meet market demand and have high gross profit margins, strengthen product and market planning capabilities, and improve the overall market layout, such as in markets of automotive electronics, cloud data center, smart Internet of Things, 5G related applications, industrial control, green energy, medical equipment, etc. The Company will actively introduce competitive agent product lines, and strive to provide diverse and complete products, so as to provide the benefits of the completed channels and professional services to customers.

**B. Actively developing new customers and improving customer layout in the Asia Pacific region:**

In addition to continuing to support the existing customers' layout in the Asia Pacific region, the Company will also actively explore new customers, reduce customer concentration, strengthen sales power to Chinese, South Korean and South Asian customers, provide better product solutions for customers, to solve the needs of some companies lacking R&D resources, and even obtain patent rights and form closer cooperation with customers. The Company will continue to expand business location in third- and fourth-tier cities in China to actively expand the sales network of inland cities and further improve the overall layout in Asia-Pacific.

**C. Expanding market influence:**

The Company will continue to increase investment and sales growth in China, South Korea, Southeast Asia, and India, expecting to maintain a growth rate that exceeds the market average. Automotive electronics, cloud data centers, smart Internet of Things, 5G related applications, industrial control, green energy, and medical instruments are strategic markets to focus efforts to increase sales to key customers and penetration of small- and medium sized customers.

**D. Strengthening technology-oriented marketing strategies:**

The short and diversified life cycle of electronic products has made the supply of components from upstream suppliers more difficult. Therefore, the Group is committed to applying engineering technology based on the professional expertise and technical capabilities accumulated through the long-term service to customers, and provides technical support solutions through professional division of labor. In the future, the Company will continue to strengthen the FAE and Design-in services, provide the best product portfolio and design according to the needs of downstream customers, and create higher product added value, becoming the communication bridge between upstream manufacturers and downstream customers.

**E. Improving long-term talent reserve:**

In line with the Group's long-term development strategy, it plans to recruit new top graduates, reserve talents in advance, and optimize the Group's personnel mix

in terms of level, quantity and structure so that the Group will have a more overall advantage in the future competition.

F.Strengthening service quality and improving customer satisfaction:

The Company will strengthen the sales ability and service quality of business personnel, improve the support ability of logistics personnel, establish a timely and efficient service system, and establish a high-quality customer service awareness of all employees, in order to enhance existing customers' satisfaction and develop potential customers in the future.

(2)Product strategies

A.Increase technical value:

Products are heading towards the era of low profit, but the market is still fond of the new and tired of the old. It is important to develop new products quickly. Therefore, meeting the electronic products' trend of hi-mix low volume production is the key. The Company provides customers with a large number of functional improved requirements through the provision of turnkey solution, inevitably reducing the investment and deployment of system manufacturers' R&D manpower, and creating solid added value for distributors.

B.Integration of upstream and downstream products:

Based on a deep partnership with customers, the Company will extend the agent distribution of new key components upstream and downstream to achieve the goal of providing complete technical services.

C.Application development and agent distribution for power management products:

As mobile devices become more powerful, the demand for power supply is becoming more and more strict. How to strengthen power management efficiency, reduce power consumption, and increase battery life has become a consistent research and development direction for all product manufacturers. The Group's agented product lines are diversified, and most of them are high-performance products that meet the technical requirements. In the future, the Company will continue to expand the agent distribution layout of power management and lead the trend in designing terminal product applications.

(3)Financial strategies

As the Company is a semiconductor distributor, it has high demand on working capital. In addition to continuing to strengthen financial planning and maintain good relations with banks based on the principle of conservative financial stability, the Company will increase its working capital through capital raising plans at an appropriate time, in response to the funding needs of increasing operation scale.

2.Long-term Business Development Plans

(1) Developing complete and diversified agented product lines and authorized distribution regions

In line with market trends and customer needs, the Company will continue to

plan and introduce new agent products, enrich product categories, and provide key components needed for domestic and international electronics industries in response to relevant application fields. The Group will strive for good prices, good specifications, complete product lines, and meet all of customers' needs in one stop. The Group also will use its existing experience to actively establish a pan-Asia Pacific service network to serve customers nearby.

(2) Professional channel marketing strategy

The Company will continue to strengthen the software and hardware development and the deployment of professional marketing personnel, in order to achieve real-time information exchange with upstream suppliers and downstream customers, and to expand marketing channels and expand the added value of agent distribution products with solid professional technology.

(3) Building long-term customer relationships and supplier relationships for collaborative development

The Company, as a distributor, plays an important role in providing consultation to suppliers and service to customers, providing the most complete information and after-sales service for suppliers and customers.

(4) Actively cultivating talents

The Company focuses on the training of internal talents, explores high-potential talents, provides different responsibilities with the business development and growth of the Group, and customizes their development plans in accordance with their aptitude, in order to cultivate the mid- and high-level managerial talents needed for the Group's sustainable operation.

(5) Robust financial strategy

The Group's financial strategy is to expand its capital in a timely manner, taking into account the interests of shareholders and the Group's fund requirements for future development. In the future, depending on working capital needs, the Company will use the capital market to obtain lower-cost funds in order to enrich the funds needed for the operation.

## II. Market, production and sales overview

### (I) Market analysis:

#### 1. Sales regions of main products

Unit: NT\$1,000

Sales region \ Year		2019		2020	
		Sales amount	%	Sales amount	%
Exports	Asia Pacific	271,074,574	80.88	258,300,948	73.14
	Other	10,340,204	3.08	40,241,526	11.40
Subtotal		281,414,778	83.96	298,542,474	84.54
Domestic sales		53,772,373	16.04	54,609,721	15.46
Total		335,187,151	100.00	353,152,195	100.00

#### 2. Market shares

According to Market Share: Semiconductor Distributors, Worldwide, 2020 issued by Gartner in 2021, the Group ranked second among semiconductor distributors in the Asia-Pacific region, and had a 10.7% share of the Asia-Pacific semiconductor distribution market in both 2019 and 2020. The top ten semiconductor distributors in the Asia Pacific had a combined 53.9% and 51.5% market share in 2020 and 2019, and the Group's market share among the top 10 semiconductor distributors was 19.8% and 20.7%, respectively. Due to the industry's characteristics, the premise for entering the semiconductor distribution market is "obtaining agency for semiconductor vendors in each region." Among the top ten semiconductor distributors in the Asia Pacific, four are agents for major semiconductor vendors and have complete product lines, i.e., the top four distributors, namely WPG Holdings, the Group, Arrow, and Avnet. Remaining distributors are not in the same market as the four distributors above due to different business models (e.g., online sales and B2C) or entirely different agent product lines (e.g., memory and diodes). For even smaller scale semiconductor distributors, it is even harder to gain agency for most international semiconductor vendors and compete with the four distributors above. Hence, in reality, there are only the four distributors above competing in the industry. The Group accounted for a 27.1% and 28.6% share of the market amount the top four distributors in 2020 and 2019, respectively.

#### 3. The future supply and demand situation and growth of the market

##### (1) Supply side

The era of electronization and digitalization is increasingly relying on a variety of semiconductor components, motivating many semiconductor suppliers to continue to increase investment in more advanced semiconductor equipment, technology and processes to meet market demand. According the latest forecasts released by Semiconductor Equipment and Materials International (SEMI) in December 2020, the global sales amount of semiconductor equipment will reach a new record high of



US\$68.9 billion in 2020, up 16% from US\$59.6 billion in 2019. The growth is expected to continue with the global semiconductor manufacturing equipment market reaching \$71.9 billion in 2021 and \$76.1 billion in 2022.

SEMI thinks the global semiconductor market will continue to expand. Both the front end and the back end semiconductor equipment segments are expected to power the expansion. The market is expected to continue to expand in 2021 and 2022 on demand for 5G and high-performance computing applications. The wafer fab equipment segment (including wafer processing, fab facilities, and mask/reticle equipment) is projected to rise 15% to reach US\$59.4 billion in 2020, followed by 4% and 6% growth in 2021 and 2022, respectively. The foundry and logic segments, which account for about half of total wafer fab equipment sales, will see a 15% increase in 2020 to reach US\$30 billion in spending driven by investments in leading-edge technologies. Spending on NAND flash manufacturing equipment will surge 30% in 2020, surpassing US\$14 billion, while DRAM is expected to lead the expansion in 2021 and 2022. The assembly and packaging equipment segment is forecast to grow 20% to US\$3.5 billion in 2020, followed by 8% and 5% increases in 2021 and 2022, respectively, driven by advanced packaging applications. The semiconductor test equipment market is expected to rise 20% in 2020, reaching US\$6 billion, and continue to expand in 2021 and 2022 on demand for 5G and high-performance computing (HPC) applications. In conclusion, long term supply in the semiconductors industry is ensured. There may be temporary supply shortage in 2021 due to the supply-demand gap caused by the coronavirus and uncertainties in the China-US relationship.

## (2) Demand side

Due to the extensive coverage of the Group's agent product lines, its revenue and profitability is related to the semiconductors industry and economic development in the year to a certain extent. The coronavirus is fueling fast growth in personal and business adoption of digital technologies worldwide. Boosted by the demand for electronic equipment to support digitization, the global semiconductor demand is outgrowing the global economy. Furthermore, according to the latest World Economic Outlook released by the International Monetary Fund (IMF) in January 2021, the IMF's projection of the global economic growth rate for 2021 is 5.5%, up 0.3% compared to October 2020. Developed markets will grow 4.3% and emerging and developing markets will grow 6.3%. Economic growth rate estimates for individual countries in 2021 are as follows: US 5.1%, China 8.1%, India 11.5%, Japan 3.1%, and Germany 3.5%. IMF thinks that the global economy is recovering after falling to the bottom after the Great Lockdown in April 2020. Several coronavirus vaccines that have received approval for launch also give people hope for the pandemic to ease later in the year. The global economic recovery is expected to continue this year. The risks come mainly from the next wave of coronavirus cases and new variants, both of which create uncertainties in the long term economic outlook.

### (3)Growth

In terms of product applications, due the gradual adoption of 5G technology, markets such as automotive electronics, smart Internet of Things, industrial control, and cloud applications will be the main growth drivers for the semiconductor industry and the Group. Taking automotive electronics as an example, technological developments have led to the intelligent upgrade of cars as in mobile phones, which will enable more semiconductor components to be adopted in cars, thereby improving vehicle safety and driving efficiency. The Group has been dedicated its efforts to the development of automotive electronics for many years. With the long-term increases in automobile sales and the semiconductor content of each vehicle, the Group's products and services in fields such as automotive lighting, body control, vehicle information, and safety systems have gradually gained recognition from vendors and customers. In terms of Internet of Things, the market demand has become increasingly apparent, and the Internet of Things combined with artificial intelligence will cause demand to show explosive growth, such as smart speakers, smart wireless headsets, smart home applications, etc. Overall, applications such as automotive electronics, smart Internet of Things, industrial control, and cloud will continue to flourish and are expected to drive business opportunities in the semiconductor market. The Group views these areas as a strategic development market, which is expected to benefit greatly in the future.

In terms of regions, emerging markets represented by China will remain one of the Group's long-term growth drivers. According to the forecast of the economic growth rates in 2021 and 2022 announced by the International Monetary Fund (IMF) in January 2021, for the "Emerging Markets and Developing Economies" that the Group focuses on, the economic growth rates in the next two years are 6.3% and 5.0%, respectively. From a long-term perspective, China has an increasing per capita income, low penetration rate of advanced electronic products, promotion of urbanization, and government policy support, which will cause future market demand in China to continue to grow.

In addition, the Group's end products have a wide scope of application, and include personal computers, communication network products, consumer electronics, industrial control and automotive electronics. In addition to the evolution of "efficient energy saving," "high-specification structure," and "Internet of Thing" for traditional 3C products, driven by highlights such as "Industry 4.0," "high speed network," "security monitoring," and "humanized driving," as well as a new generation of consumer audio and video entertainment, a variety of innovative key components will lead the semiconductor industry to new heights. Digital power components, MEMS components, high-performance microprocessors, image sensors, console processing chips, mobile phone chipsets, high-precision analog components, special components, and various customized complete solutions will generate great business opportunities in the semiconductor distribution industry.

#### 4.Competitive niche, favorable and adverse factors for long-term growth and response strategy

##### (1) Competitive niche

###### A. Complete and diversified agent product lines

The Group has established stable cooperative relationships with internationally renowned manufacturers such as ADI, Broadcom, Marvell, NXP, ON Semiconductor, Skyworks, STMicroelectronics, and Renesas, and has repeatedly received the excellent agent awards from suppliers. It is clear that the Group's marketing and business capabilities have been recognized by vendors and suppliers. Together with the Group's keen market insight and ability to actively and correctly seek new agent product lines, the Group's product portfolio is complete and diversified, which is of great help to consolidate the protection of existing product lines and the development of new product lines.

###### B. Strong management team

The Group's management team is mainly consists of professionals in the electronic information industry, with experienced marketing talents and skilled application engineers. The main executive officers have more than 10 years of experience in the semiconductor distribution industry. With their agent distribution business accumulated over the years and sensitivity to market development trends, they can contribute to the Group's business development and vision planning.

###### C. Professional technical support capability

The Group is convinced that in addition to its complete and diversified products, it has the professional technical support capability to conduct all-round services such as product development, design, product integration and customer problem solving at any time, so as to gain customers' trust and meet customers' design-in module. It is the only way to stably maintain customer relationships. This technical marketing-oriented technical support capability is the niche of the Group's competitiveness, and the Group is moving towards its goal of becoming a "value-added professional service channel operator."

###### D. Dense marketing channel network

In response to the trend of electronic globalization and internationalization, the Group actively deploys overseas locations to serve customers nearby, develop new products, and grasp real-time market information. The Company has completed marketing channel networks in Hong Kong, China, Singapore, South Korea, Malaysia, Vietnam, Thailand, and India, and it hopes to achieve the Group's goal that the Group shall be wherever customers are.

##### (2) Favorable factors

###### A. The IT and electronics industries will continue to drive an increase in demand on

semiconductors.

The market demand for semiconductors is due to the continuous development of electronization and digitalization of new products, coupled with the continuous evolution of existing electronic products, resulting in increasing demand for semiconductors.

B. Ever important role of distributors

Under the consideration that global electronics manufacturers reduce marketing costs and increase technical support for engineering applications, the role of the distributors in the supply chain of the electronics industry will become increasingly important. For upstream suppliers, distributors provide the functions of marketing expansion, product integration and customer service. For downstream customers, the distributors provide the functions of keeping sufficient supply, technical support, etc. At present, direct sales from semiconductor manufacturers to customers (the Direct Account) account for more than 60% of their revenues, and only about 30-40% of sales are through distributors. There is still a lot of room for semiconductor manufacturers to release Direct Account. The Group's efforts and capabilities have long been recognized by customers and suppliers. Following the rapid growth brought by the smart Internet of Things, the large number of potential customers, and accelerated transfer of production bases and supply chains in recent years, the trend of distribution through distributors will become even more significant in the future.

C. Complete and diversified agent products

The Group's agent products cover all fields of electronics, such as information, optoelectronics, telecommunications, consumer electronics, industrial supplies, automotive electronics, cloud applications, green energy, and medical care. In addition, the Group also has a separation of product markets to avoid excessive concentration of purchases. It is not only for the convenience of customers to make purchases, but can also reduce customers' inventory risks and save procurement time and costs.

D. Excellent management team

The Group's front-line marketing staff have years of experience in distribution and marketing, and the Group is proud of its professional R&D talents for logistics support technology management. Externally they can promote the existing products, acquire new agent product lines, and solve customer needs, and internally they can continuously improve the Group's financial position and business condition, which will allow the Group to take the lead in the industry.

(3) Unfavorable factors and response measures

A. Fierce product competition and declined gross profit

Response measures:

- Adding agent component lines for special applications that are irreplaceable

and have high gross profit will reduce the Group's risk under price competition and highlight its own market advantage.

- For the general-purpose bulk components, adopting quantity purchase pricing to provide customers with more competitive prices while retaining reasonable profits.
- Increasing the proportion of non-3C products with higher gross profit margins such as smart Internet of Things, cloud applications, industrial control, automotive electronics, medical electronics, etc., to change the product portfolio and gradually increase the Group's overall gross profit margin.
- Providing more value-added services. In addition to providing traditional channel services, striving to provide more value-added services, such as providing more technical application design services to help customers to complete the design faster, in order to seize market opportunities and ensure high profit and market share.

B. Strategy adjustments made by suppliers and short product life cycle

Response measures:

- The Company integrates and adjusts resources in response to strategy adjustments made by suppliers, e.g., TI intends to cancel its distributors and switch to a directly supply model, in order to accelerate the growth of other suppliers and add competitive new suppliers and products to maximize the Company's benefits.
- Strengthen product market development, set the Group's new directions and opportunities for new product and market trends, introduce new agent products, and develop new markets and customers in a timely manner to seize business opportunities.
- Maintaining good interactions with upstream and downstream customers, increase the value added of products, and strengthen the product's life cycle, by integrating the characteristics of its products and developing components that meet customer needs through the strong R&D capabilities of the management team.
- Regularly hold business meetings to determine sales plans and correct sales forecasts based on the conditions of sales, orders, inventory, etc., in order to achieve accurate sales forecasts.
- Pursue product completeness and diversification to avoid market risks of a single product.
- The Company will carry out the digital transformation of the management system, in order to improve operating performance and supply chain management to respond to the rapidly changing demand.

C. Exchange rate risk

The Group's electronic parts and components are mainly sold in Asia. The

Group's subsidiaries are located in Asian countries and face exchange rate risks in multiple currencies. However, the only transaction currency of the Group's purchases and sales is USD and the exchange rate risk is mainly from the US dollar.

Response measures:

- Using the US dollar as the sales and purchase price and also the AR collection and AP payment currency. By using the same currency in sales and purchase, the resulted foreign currency assets and liabilities can offset against each other to achieve natural hedging results.
- Adopting the unified exchange rate evaluation mode in the Group as the accounting exchange rate. The Finance Department uniformly publishes the Group's standard exchange rate accounting basis on the internal website every day for the business and procurement related departments to keep up with the latest exchange rates and obtain better exchange rate quotes for orders.
- The Finance Department observes the market exchange rate dynamics and prices, based on the exposure position of the Group's foreign currency assets and liabilities and its foreign exchange costs on the book, and adjusts the foreign exchange exposure position and resulting exchange profit and loss through derivative trading when necessary.

(II)Key applications and production processes of main products:

1.Key applications of main products:

Main product	Use
Microcontroller (MICROCONTROLLER)	Industrial control, notebook computers, tablets, network infrastructure, mobile phones, automotive electronics, consumer electronics/toys, and home appliances
Logic IC	Notebook computers, servers, mobile phones, network infrastructure, and industrial control
Application specific standard parts IC (ASSP)	Network infrastructure, mobile phones, industrial control, consumer electronics/toys, LCD TVs, notebook computers, and automotive electronics
Application specific IC (ASIC)	Mobile phones, automotive electronics, industrial controls, notebook computers, and personal computers and peripherals
Analog IC	Notebook computers, PC and peripherals, mobile phones, network infrastructure, industrial control, servers, consumer electronics/toys, and home appliances
Discrete components	Notebook computers, mobile phones, network infrastructure, industrial control, consumer electronics/toys, and home appliances
Memory IC	Mobile phones, industrial control, servers, notebook computers, LCD TVs, and consumer electronics/toys
Non-optical sensor component	Mobile phones, network infrastructure, notebook computers, consumer electronics/toys, and industrial control
Optical component	Consumer electronics/toys, LCD TVs, industrial control, personal computers and peripherals, and automotive electronics
Other	Industrial control, home appliances, network infrastructure, automotive electronics, and notebook computers

2. Production processes of main products: Not applicable (non-manufacturing industry)

(III) State of supply of main raw materials: Not applicable (non-manufacturing industry)

(IV) Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

1. Suppliers that accounted for more than 10% of the total purchase in any of the past two years

Major suppliers' information for the last two years

Unit: NT\$1,000; %

Item	2019				2020			
	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer
1	AH	115,073,853	35.70	None	AH	111,970,095	32.85	None
2	A	57,869,422	17.95	None	A	25,395,281	7.45	None
3	B	31,388,210	9.74	None	B	44,535,289	13.07	None
	Other	118,013,032	36.61	—	Other	158,959,398	46.63	—
	Net purchase	322,344,517	100.00	—	Net purchase	340,860,063	100.00	—

Reasons for changes: The Group has maintained a good relationship with major suppliers, so its inventory sources are stable. We currently act as agent for end products including but not limited to smartphones, computers, consumer electronics, industry and instruments, automotive electronics, and Netcom devices. Revenue grew 5.36% in 2020, leading to an increase in purchases from suppliers in 2020 compared to 2019.

Note: List the names and procurement amounts and percentages of suppliers whose procurement accounted for more than 10% of the total procurement in the last two years. However, if the name of the supplier may not be disclosed due to the contractual agreement, or the counterparty of the transaction is an individual and a non-related party, it may be listed by using a code.



2. Customers that accounted for more than 10% of the total sales in any of the last two years

Major customers' information for the last two years

Unit: NT\$1,000; %

Item	2019				2020			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	A	44,784,697	13.36	None	A	52,419,352	14.84	None
2	Other	290,402,454	86.64	—	Other	300,732,843	85.16	—
	Net sales	335,187,151	100.00	—	Net sales	353,152,195	100.00	—

Reasons for changes: The increased demand on the Company's agent products was mainly due to the growth in end demand.

Note: List the names and sales amounts and percentages of customers that accounted for more than 10% of the total sales in the last two years. However, if the name of the customer may not be disclosed due to the contractual agreement, or the counterparty of the transaction is an individual and a non-related party, it may be listed by using a code.

(V)Output volume and value during the most recent two years Not applicable (non-manufacturing industry)

## (VI) Sales volume and value during most recent two years

Unit: 1,000; NT\$1,000

Main Products	Sales year	2019				2020			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Discrete component		2,161,766	2,383,627	6,714,634	13,098,887	1,704,507	2,295,190	9,106,633	23,163,728
Application specific IC		32,904	2,937,735	298,809	22,752,941	37,601	2,696,893	277,434	12,196,108
Memory IC		205,652	3,266,374	1,284,457	19,195,989	236,206	3,680,385	1,653,219	22,953,235
Microprocessor		9,904	3,166,696	90,250	12,472,626	12,440	5,350,309	115,693	16,847,680
Analog IC (including linear IC)		1,599,292	26,141,647	7,731,127	120,973,089	1,594,099	21,285,172	6,484,271	131,302,089
Mixed signal IC		84,059	1,822,356	502,910	6,058,588	95,497	2,057,230	728,048	13,612,898
Microcontroller		87,304	4,298,462	772,670	21,155,392	69,428	3,810,644	857,114	23,465,635
Other		853,008	9,755,476	3,685,147	65,707,266	967,966	13,433,898	4,155,963	55,001,101
Total		5,033,889	53,772,373	21,080,004	281,414,778	4,717,744	54,609,721	23,378,375	298,542,474

## III. Employees

The following table summarizes the company's workforce as of the printing date of the annual report:

Year		2019	2020	As of April 16, 2021
Number of employees	Sales and Marketing	1,670	1,575	1,627
	Administration	223	223	229
	R&D	502	555	569
	Total	2,395	2,353	2,425
Average age		37.6	39.0	39.0
Average years of service		6.0	6.8	6.7
Education background	Ph.D	0.21%	0.72%	0.70%
	Master's	13.95%	15.47%	15.83%
	Bachelors Degree	79.04%	77.48%	77.53%
	Senior High School	6.80%	6.33%	5.94%
	Below Senior High School	0.00%	0.00%	0.00%

#### IV Information on environmental protection expenses

The Group is principally engaged in the IC distributors industry, and its main business is the trading and R&D of electronic components. Due to the non-manufacturing nature of the industry, there are no environmental pollution issues. However, the Group and its suppliers are still working together on the development and application of green environmental protection technologies, and are working hard to solve environmental problems that are gradually depleting Earth's energy. The Company did not sustain any losses due to environmental pollution during the most recent year and up to the annual report publication date. When purchasing goods, the Group complies with environmental regulations and industry regulations, such as conflict minerals.

#### V Employer/employee relations

- (I) The Group's various employee benefit measures, education, training, retirement system and its implementation, as well as labor-management agreements and various employee rights protection measures.

1. Employee benefit measures:

The Group provides comprehensive care of its employees and strives to create a warm, safe, and friendly workplace environment.

The Company's Welfare Committee provides various benefits such as: group insurance, public liability insurance, maternity subsidy, funeral decoration subsidy, wedding and funeral allowance, monetary gifts of birthday and festivals, gifts for festivals and New Year, contracted store discount, etc.

The Company modified the ways existing exercise courses were offered and provide different seminars for employees to fight the virus and maintain physical and mental health during the pandemic. The new multipurpose classroom was unveiled in 2020. It is equipped with several simple exercise equipment and flexible hours. It has effectively boosted interest and participation in healthy exercise among employees. Sports clubs organize different activities and competitions every year. These events encourage employees to interact with each other and participate in outside competitions. They also raise employees' interest and participation in sports.

The WT Microelectronics Bookshop was created to encourage reading as a habit, learning new things, and making friends through books. Books, magazines, corner promotion materials, etc., are provided for employees to read and relax at the rest area, so colleagues can cultivate humanistic literacy and relax their body and mind while resting.

In response to the coronavirus, the two-day trip was shortened to a short hotel stay. Employees were able to bring the families and relax in an appropriate venue amid the pandemic. A number of hotels that supported green consumption, environmental conservation and responsible use of resources were selected to give employees a safe, healthy, and comfortable stay and to raise environmental awareness. Team building

courses are organized every year to provide different team motivation exercises for employees. They are designed to inspire employees to practice communication, problem solving, creativity and to boost morale in the workplace. Employees will also learn new things and find new hobbies in the process.

WT Microelectronics continues to organize charity sponsorships. The Company still provides fruit from small farmers in the office. In addition to sponsorships, the Company plans to promote helping small farmers in the field, and learn about farming through doing. The aim is to help employees learn to appreciate the hard work and cherish the result. The Company gives employees gifts during the holidays that are procured from social welfare groups, e.g. All proceeds from the Down Syndrome Foundation gift box for Mother's Day, the egg roll gift box made by disabled workers at the sheltered workshop for Father's Day, the Christmas winter coat drive, and the surprise box for charity and charity festival were donated to social welfare groups.

The Group has a full-time health manager and invites physicians to the Company to provide medical and health consultation services to employees. The Company raises awareness of health checkups among active employees and provides expense subsidies. Automatic blood pressure monitors and alcohol for sterilization are provided at each workplace, caring for employees' health at all times. In order for employees to work without worries, the Company also values employees' family members. The Group provides self-pay health checkup preferential plans for employees and their family members.

For breastfeeding female employees, designated breastfeeding facilities provide breastfeeding devices. Child care leaves of absence are also provided to help employees find a healthy work-life balance.

## 2. Employee training:

The Group attaches importance to the comprehensive development of employees, and creates a suitable working environment based on its belief in talent cultivation. Our employees possess the capabilities to deal with future changes in a rapidly evolving business environment. We have a comprehensive training and development roadmap in place, allowing our employees to effectively apply what they have learned and excel in their work.

### (1) Training&Development Roadmap

Based on the future development of the organization and the needs of departments, the human resources unit plans training activities suitable for each level and function each year, cooperates with the unit supervisor to implement OJT (on the job training), and gradually trains Group's employees to have the necessary knowledge and skills.

The Group's training & development roadmap is constructed as follows:

- a. Core Value: The Group's core value guides employees to move in the same direction as the Company does, and the Group cultivates employees to have mentality and

behavior in line with core values.

- b. New employee orientation: We assist new hires to assimilate into the new work environment through various training activities and a mentoring system, and assist them to identify with the corporate culture and management principles.
- c. Working Skill Training: We provide periodical training for our employees to improve their soft skills and hard skills required at work, in order to enhance work efficiency.
- d. Functional Expertise Training: All units have developed employees' relevant professional skills and knowledge through internal and external training and OJT.
- e. Leadership Development: We provide tailor-made management and leadership modules for employees at various levels to help improve management skills and foster leadership thinking among department heads. This equips employees with the necessary know-how and drives them to lead their teams in achieving the organization's goals.
- f. Language Training: We also provide our employees with foreign language training which helps them to develop excellent business communication skills, expand their global horizons and become top-notch professionals.

(2) Implementation of employee education and training in the current year:

Total number of trainees	Total training sessions	Total training hours
19,096	414 sessions	6,390 hours

3. Information on the relevant licenses specified by the competent authority obtained by the Group's personnel related to financial information transparency:

- (1) International certified internal auditor: 2
- (2) R.O.C. Certified Internal Auditors: 2
- (3) R.O.C. CPA: 3

4. Retirement system and its implementation:

The Supervisory Committee of Business Entities' Labor Retirement Reserve was established in February 1998. It consists of 9 members, with 3 business representatives and 6 labor representatives. The members are re-elected every four years, and verify and audit the contribution amount, deposit and disbursement of workers' retirement reserve fund to ensure the rights and interests of workers. At present, the Company contributes 2% of total monthly salary to the workers' retirement reserve fund to the account in the Bank of Taiwan (formerly known as the Central Trust of China).

Since July 1, 2005, the Company established retirement regulations for the defined contribution plan, which is applicable to employees with ROC citizenship in accordance with the Labor Pension Act. The Company contributes a monthly pension of not less than 6% of the salary to individual accounts at the Bureau of Labor Insurance for employees applicable to the Act.

Employees who meet the following retirement requirements may follow the retirement

procedure to apply for retirement. The plan provides support and care for employees after they retire.

Retirement eligibility:

- (1) Employees who meet any one of the following criteria may apply for voluntary retirement:
  - a. Having worked in the company for more than 15 years and are 55 years old and older
  - b. Having worked in the company for more than 25 years.
  - c. Having worked in the company for more than 10 years and are 60 years old and older
- (2) Mandatory retirement does not apply unless employees meet one of the following criteria:
  - a. 65 years old and older.
  - b. Having an mental disorder or physical disability that renders the employee unable to perform his/her duties.
- (3) The age at retirement is determined according to the information provided by household registration, and is counted in full years from the date of birth.

Retirement procedure:

Time	Employee	Responsible unit	Description
One month before retirement	Submit a retirement application	Approve the retirement application	Retirement application shall be made by completing a retirement application form and a document and property checklist. An employee will not be able to proceed with the retirement procedure until the application is approved by a person in charge.
Before the retirement date	Complete the handover and return all company documents and property and complete related procedures		
On the retirement date	The official retirement date	Check that the retirement procedure is completed	
During the 30 days following retirement		Approve the pension payment	The company will make the pension payment within thirty days after an employee's pension application is approved. If unable to pay in a lump sum, the company may file the case for the competent authority's approval and make the payment in installments.

#### 5. Employer-employee relations and employee rights protection measures:

The Group has always attached great importance to employees' benefits and interests, and actively promotes harmonious relationships between employees and employer. The Company has working rules and various personnel management regulations, which

specifically regulate the rights and obligations of labor and employer and management matters, so employees can fully understand, abide by and protect their rights and interests. The Company also has an employee complaint channel. Through emails or the stakeholder section on the Company's official website, employees can have two-way communication about the Company's systems and regulations and problems they encountered in the workplace.

In addition, according to the Company's Articles of Association, if the Company has a profit, it shall appropriate no less than 1% as employee compensation to reward employees.

At present, employee rights have been properly protected, and both sides are expected to continue maintaining a harmonious relationship in the future with good interaction and communication.

6. Protective measures taken to ensure a safe working environment and maintain employees' personal safety:

The Group's primary goal is to provide employees with a safe, healthy and comfortable work environment, promoting a friendly working environment with harmonious management-labor relations and mutual trust and assistance. The Group also complies with laws and regulations related to environmental protection, safety and health policies.

The Group is committed to the following matters:

- (1) Access security management

In addition to having security guards deployed in the industrial park, there is a 24-hour strict access control system monitoring day and night. Emergency pagers are installed in the restroom. Employees need to wear their identification cards when entering and leaving the office. The Company has also signed a contract with a security company to strengthen office and warehouse security.

- (2) Regular inspection of equipment and building maintenance

The Group complies with the relevant domestic labor safety and health regulations, and requires regular maintenance of equipment, buildings and fire-fighting equipment to meet the regulatory requirements.

- (3) Hazard prevention

The Company established safety and health work rules for employees to follow in order to prevent occupational disasters and protect the safety and health of employees. The Group has set category A occupational safety and health affair supervisors, category B health and safety management personnel, and several on-site emergency personnel and fire fighting management personnel, and provides relevant training. In addition, the Group also organizes a fire self-prevention team, and conducts fire safety drills every six months.

- (4) Environment cleaning and management

- a. The central air conditioning in the office is maintained and cleaned annually to keep

air fresh in the office; environmental disinfection is carried every year to keep the office clean.

- b. Automatic coffee machines are cleaned and maintained daily. The drinking water dispenser's filter is regularly changed and the water quality is tested to ensure the quality of drinking water.

(5) Health management

- a. Organize health education lectures, irregularly promote health knowledge, strengthen employees' health and safety self-management, and prevent and reduce the chance of accidents.
- b. Regularly implement employee health checkups and health management follow-up every year.
- c. Face recognition temperature readers are installed on all floors to detect anyone with a fever entering the office. Alcohol disinfectant sprays are also provided and medical grade masks made available to employees. Decontamination hand sanitizer is prepared in pantries and on sink counters in restrooms to prevent the spread of epidemic diseases and maintain employees' health.
- d. Smoking is completely banned in the office so that employees can work in a smoke-free work environment.

(6) Promoting sports activities

A multi-purpose classroom is provided for sports courses, a variety of sports courses offered in coordination with the sports center, and employees are encouraged to participate in the courses to develop good exercise habits.

(7) Educational training and promotion

- a. New employees must participate in new employee training to become familiar with the working environment and to promote employee safety.
- b. Promote energy saving and carbon reduction, reduce waste of resources, and promote environmental protection activities in the office. The Company irregularly prepares promotion materials to educate employees to develop energy-saving and carbon-reducing habits and jointly save the Earth.

(8) Resource recycling application

- a. Office resources are donated to welfare groups for recycling and reuse, in order to reduce waste and reduce the impact on the environment.
- b. Recycle and reuse carton boxes and packaging materials.
- c. Promote electronic information management in office, paper double-sided printing, reusing the blank back side of recycled papers, and reusing manila envelopes internally. Add photocopiers with a scanning function to reduce the printing on paper.
- d. Conduct GHG inventories for sustainable development. Promote GHG emission control and implement reduction measures according to ISO 14064 standards in order to fulfill the environmental obligations of a carbon reducing company.



- (II) Losses sustained due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the printing date of the annual report, and disclose current and future estimated amount and response measures; if it cannot be reasonably estimated, describe the facts that it cannot be reasonably estimate:

The Company did not sustain any losses due to employer-employee disputes in the most recent year and up to the annual report publication date.

The Company has always attached great importance to employees' benefits and interests, and actively promotes harmonious relationships between employees and employer. WT Microelectronics Co., Ltd. established work rules and management regulations in accordance with the Labor Standards Act and related laws and regulations, and also established the Corporate Social Responsibility Best Practice Principles, which prescribes the rights and obligations of employee and employer, as well as management matters. This allows employees to fully understand and comply with and protect their lawful rights and social welfare. WT Microelectronics Co., Ltd. fulfills its commitment to vendors, customers, employees, shareholders and society, and will give every effort to protect the rights and interests of all stakeholders, making WT Microelectronics Co., Ltd. a trustworthy enterprise.

WT Microelectronics Co., Ltd. also provides a good communication platform, and allows all stakeholders to provide feedback on the Company's official website; internal employees may provide feedback via e-mail, telephone, or writing, and engage in two-way communication regarding issues encountered in the Company's systems and work environment, as well as issues they are concerned about. The Company can also properly handle and provide feedback or improvement plans to achieve effective communication. The Group regularly convenes supervisor meetings and related department meetings, and notifies the operational changes that may have a significant impact on employees through methods such as announcements, etc. At present, employee rights have been properly protected, there have been no major employer-employee disputes or negotiations, and both sides are expected to continue maintaining a harmonious relationship in the future with good interaction and communication.

IV. Material contracts (As of the annual report publication date on April 16, 2021)

Nature of contract	The Parties	Term of contract	Content	Restriction clauses
Distributor Agreement [WT Microelectronics Co., Ltd.]	Maxim Integrated Products, Inc. Maxim Integrated Products International Limited.	2017/9/14-2021/9/14 and may be renewed for one year	Agent distribution of semiconductor products	Restrictions on distribution region
	ON Semiconductor Trading Sarl	2020/6/1-2025/5/31	Agent distribution of semiconductor products	Restrictions on distribution region
	STMicroelectronics Asia Pacific Ltd.	2011/1/1-2011/12/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Marvell Asia Pte. Ltd.	2017/9/28-2018/9/27 Unless terminated by either party, it shall be automatically renewed monthly.	Agent distribution of semiconductor products	Restrictions on distribution region
	Ambarella Inc.	2005/10/1-2006/9/30 If contract performance continues after termination, the contract will be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	MagnaChip Semiconductor, Ltd.	2010/5/1-2011/4/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Micron Semiconductor Asia Pte.	Perpetually effective since 2012/1/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	Nuvoton Technology Corporation	Perpetually effective since 2011/4/2.	Agent distribution of semiconductor products	Restrictions on distribution region
	U-blox AG	2010/9/6-2011/9/5 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Silicon Laboratories International Pte. Ltd.	2012/10/4-2013/10/3 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Philips Lumileds Lighting Company	2012/12/20-2013/12/19 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Sanken Electric, Co., Ltd.	2013/1/1-2016/5/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	NXP Semiconductors Netherlands B.V.,	2016/7/4-2017/7/3 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Silergy Corp.,	2016/3/7-2017/3/6 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	DIGITALPERSONA, INC	2019/7/1-2020/6/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Taiwan Semiconductor Co.	2017/6/2-2018/6/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Skyworks Solutions, Inc.,	2018/10/1-2019/9/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	MaxLinear Asia Singapore Private Limited	2019/7/1-2020/6/30 Unless terminated by either party, it shall be automatically renewed for one year, but can only be renewed up to 2 times.	Agent distribution of semiconductor products	Restrictions on distribution region
	Integrated Device Technology Malaysia	2017/10/2-2019/10/1 Unless terminated by either party, it shall be	Agent distribution of semiconductor products	Restrictions on distribution region

Nature of contract	The Parties	Term of contract	Content	Restriction clauses
	Sdn. Bhd.	automatically renewed for one year.		
	IDT Europe GmbH	2017/10/2-2019/10/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Synaptics Incorporated	2018/11/30-2019/11/29 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Nuvoton Technology Corp	2018/2/1-2019/1/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	OSRAM Opto Semiconductors (Taiwan)Ltd	2017/12/1-2021/11/30	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [WT Microelectronics Co., Ltd.]	Nanya Technology Corporation	2017/7/1-2018/12/31 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region
	Microsemi Corporation	Perpetually effective since 2018/3/16.	Agent distribution of semiconductor products	Restrictions on distribution region
	Avago Technologies International Sales Pte. Limited	2008/1/20-2021/5/1	Agent distribution of semiconductor products	Restrictions on distribution region
	OmniVision Technologies Singapore Pte. Ltd.	2018/5/2-2019/5/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Semtech (International)AG	2018/9/1-2019/8/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Microchip Technology Ireland	Perpetually effective since 2018/10/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	CREE, INC.	2019/11/26-2021/12/31, automatically renewed for one year thereafter	Agent distribution of semiconductor products	Restrictions on distribution region
	Amlogic Co., Limited	Starting on 2019/1/1, decision to renew or terminate the contract is made at the beginning of each year	Agent distribution of semiconductor products	Restrictions on distribution region
	Richtek Technology Corporation	2020/1/1-2021/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Winbond Electronics Corporation	2021/1/1-2021/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Qwave Technology Co., Ltd.	2019/10/1-2020/9/30 Automatically renewed.	Agent distribution of semiconductor products	Restrictions on distribution region
	Renesas Electronics Corporation	Perpetually effective since 2019/11/8.	Agent distribution of semiconductor products	Restrictions on distribution region
	Allegro MicroSystems, Inc.	Perpetually effective since 2020/5/1	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [Nuvision Technology Inc.]	Realtek Semiconductor Corp,	Perpetually effective since 2017/1/1.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [MORRIHAN]	Nanya Technology Corporation	2020/7/1-2021/12/31 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region
	Analog Devices International U.C	2018/8/13-2019/12/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Avago Technologies	2008/1/20-2021/5/1	Agent distribution of	Restrictions on

Nature of contract	The Parties	Term of contract	Content	Restriction clauses
	International Sales Pte. Limited		semiconductor products	distribution region
Distributor Agreement [WT Microelectronics(Shenzhen)Co., Ltd.]	ASR Microelectronics(Shenzhen)Co.,Ltd.	Perpetually effective since 2019/11/25.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [Techmosa International Inc.]	Nanya Technology Corporation	2020/1/1-2020/12/31 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region

## Chapter 6. Financial Overview

### I. Condensed Balance Sheet and Statement of Comprehensive Income for the last five years

#### (I) Condensed Balance Sheet and Statement of Comprehensive Income

##### 1. Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Year Item		Financial statements for the past five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		57,161,650	70,352,968	88,883,516	96,159,316	111,091,657
Property, plant and equipment (Note 2)		473,907	785,965	995,294	1,010,410	1,003,193
Intangible assets		1,550,858	1,663,682	1,878,609	1,883,859	1,911,613
Other assets (Note 2)		2,217,966	2,363,533	2,067,389	2,313,651	17,003,135
Total Assets		61,404,381	75,166,148	93,824,808	101,367,236	131,009,598
Current liabilities	Before distribution	42,787,905	52,450,078	71,284,303	75,682,313	82,612,742
	After distribution	43,929,685	53,831,501	72,672,270	77,327,424	(Note 3)
Non-current liabilities		1,713,366	2,634,502	732,917	2,205,787	2,280,475
Total liabilities	Before distribution	44,501,271	55,084,580	72,017,220	77,888,100	84,893,217
	After distribution	45,643,051	56,466,003	73,405,187	79,533,211	(Note 3)
Equity attributable to owners of parent		16,902,470	20,080,934	21,806,876	23,478,394	46,078,017
Capital		4,715,196	5,522,619	5,576,106	5,914,369	9,232,317
Capital surplus		6,372,059	8,660,739	8,773,382	9,531,836	20,094,981
Retained earnings	Before distribution	4,635,715	6,006,678	7,600,956	8,823,331	11,142,755
	After distribution	3,493,935	4,625,255	6,212,989	7,178,220	(Note 3)
Other equity		1,179,500	(109,102)	(143,568)	(791,142)	5,607,964
Treasury stock		0	0	0	0	0
Non-controlling interests		640	634	712	742	38,364
Total equity	Before distribution	16,903,110	20,081,568	21,807,588	23,479,136	46,116,381
	After distribution	15,761,330	18,700,145	20,419,621	21,834,025	(Note 3)

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: No assets were reappraised in the years above.

Note 3: As of the publication date of this annual report, the 2020 earnings distribution was approved by the Board of Directors, and pending shareholders' approval.

Note 4: As of the publication date of this annual report, the 2021 Q1 financial statements have not been audited by independent accountants, thus the information is not disclosed in this report.

## 2. Condensed Balance Sheet (Parent Company Only)

Unit: NT\$1,000

Year Item		Financial statements for the past five years (note 1)				
		2016	2017	2018	2019	2020
Current assets		37,023,077	36,220,796	57,901,824	65,048,475	75,268,446
Property, plant and equipment (Note 2)		435,749	428,680	473,628	487,709	442,017
Intangible assets		127,529	61,338	228,117	254,427	202,243
Other assets (Note 2)		15,096,602	18,498,226	19,311,502	19,370,382	34,796,717
Total Assets		52,682,957	55,209,040	77,915,071	85,160,993	110,709,423
Current liabilities	Before distribution	34,110,909	32,638,507	55,601,536	59,920,804	62,788,343
	After distribution	35,252,689	34,019,930	56,989,503	61,565,915	(Note 3)
Non-current liabilities		1,669,578	2,489,599	506,659	1,761,795	1,843,063
Total liabilities	Before distribution	35,780,487	35,128,106	56,108,195	61,682,599	64,631,406
	After distribution	36,922,267	36,509,529	57,496,162	63,327,710	(Note 3)
Capital		4,715,196	5,522,619	5,576,106	5,914,369	9,232,317
Capital surplus		6,372,059	8,660,739	8,773,382	9,531,836	20,094,981
Retained earnings	Before distribution	4,635,715	6,006,678	7,600,956	8,823,331	11,142,755
	After distribution	3,493,935	4,625,255	6,212,989	7,178,220	(Note3)
Other equity		1,179,500	(109,102)	(143,568)	(791,142)	5,607,964
Treasury stock		0	0	0	0	0
Total shareholders' equity	Before distribution	16,902,470	20,080,934	21,806,876	23,478,394	46,078,017
	After distribution	15,760,690	18,699,511	20,418,909	21,833,283	(Note 3)

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: No assets were reappraised in the years above.

Note 3: As of the publication date of this annual report, the 2020 earnings distribution was approved by the Board of Directors, and pending shareholders' approval.

### 3. Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years (note 1)				
	2016	2017	2018	2019	2020
Operating Revenue	144,147,461	189,419,235	273,416,485	335,187,151	353,152,195
Operating margin	6,925,005	8,421,582	10,644,948	10,800,405	10,774,422
Operating income	2,460,528	3,918,170	5,253,715	5,253,230	5,315,969
Non-operating income and expense	(422,814)	(813,280)	(1,632,905)	(1,944,145)	(517,200)
Pre-tax profit	2,037,714	3,104,890	3,620,810	3,309,085	4,798,769
Income from continuing operations in current period	1,699,670	2,520,136	2,778,515	2,531,247	3,794,576
Income (loss) on Discontinued Operations	0	0	0	0	0
Net income (loss)	1,699,670	2,520,136	2,778,515	2,531,247	3,794,576
Other comprehensive income (net amount after tax)	(531,221)	(1,295,829)	261,002	(568,192)	6,569,424
Total comprehensive income	1,168,449	1,224,307	3,039,517	1,963,055	10,364,000
Net income attributable to owners of the parent	1,699,457	2,519,897	2,778,229	2,530,940	3,794,178
Profit Attributable to Noncontrolling Interest	213	239	286	307	398
Comprehensive Income (Loss) Attributable to Owners of the Parent	1,168,254	1,224,141	3,039,224	1,962,768	10,363,641
Comprehensive Income Attributable to Noncontrolling Interest	195	166	293	287	359
Earnings Per Share (Note 2)	3.61	5.26	5.02	4.32	5.22

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Based on weighted average shares outstanding in each year.

Note 3: As of the publication date of this annual report, the 2021 Q1 financial statements have not been audited by independent accountants, thus the information is not disclosed in this report.

#### 4. Condensed Statement of Comprehensive Income (Parent Company Only)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years (note 1)				
	2016	2017	2018	2019	2020
Operating Revenue	113,704,123	146,986,637	213,640,619	273,996,730	288,646,964
Operating margin	3,067,319	4,056,559	4,512,445	4,744,426	5,123,566
Operating income	1,250,268	2,098,084	2,272,517	2,308,434	2,285,528
Non-operating income and expense	649,185	734,860	872,596	573,962	1,931,701
Income from continuing operations before tax	1,899,453	2,832,944	3,145,113	2,882,396	4,217,229
Net income (loss)	1,699,457	2,519,897	2,778,229	2,530,940	3,794,178
Other comprehensive income	(531,203)	(1,295,756)	260,995	(568,172)	6,569,463
Total comprehensive income	1,168,254	1,224,141	3,039,224	1,962,768	10,363,641
Earnings per share (Note 2)	3.61	5.26	5.02	4.32	5.22

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Based on weighted average shares outstanding in each year.

#### (II) Name of CPA and Auditors' Opinions for the last five years

Year	Name of accounting firm	Name of CPA	Audit opinion
2016 (2016.1.1-2016.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2017 (2017.1.1-2017.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2018 (2018.1.1-2018.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2019 (2019.1.1-2019.12.31)	PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu, Wu, Han-Chi	Unqualified opinion
2020 (2020.1.1-2020.12.31)	PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu, Wu, Han-Chi	Unqualified opinion



## II. Financial analysis of the last five years

### 1. Financial Analysis (Consolidated)

Item		Financial analysis of the last five years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure %	Debt to asset ratio	72.47	73.28	76.76	76.84	64.80
	Long-term Fund to Property, Plant and Equipment	3,928.30	2,890.21	2,264.71	2,542.03	4,824.28
Liquidity %	Current Ratio	133.59	134.13	124.69	127.06	134.47
	Quick Ratio	81.43	70.34	58.45	66.00	79.84
	Times interest earned	8.24	6.83	5.09	4.28	9.78
Operating ability	Average collection turnover (times)	5.38	5.92	7.71	8.04	6.57
	Average days of collection	68	62	47	45	56
	Average inventory turnover (times)	7.09	6.55	6.57	7.00	7.60
	Average payables turnover (times)	9.18	8.40	8.41	7.75	6.80
	Average days of sales	51	56	56	52	48
	Property, plant and equipment turnover (times)	288.70	300.70	306.99	334.23	350.77
	Total assets turnover (times)	2.66	2.77	3.24	3.43	3.04
Profitability	Return on assets (%)	3.56	4.34	4.13	3.42	3.64
	Return on equity (%)	10.05	13.63	13.27	11.18	10.90
	Pre-tax income to paid-in capital ratio (%)	43.22	56.22	64.93	55.95	51.98
	Net profit margin (%)	1.18	1.33	1.02	0.76	1.07
	Earnings Per Share (NT\$)	3.61	5.26	5.02	4.32	5.22
Cash flows	Cash flow ratio (%) (Note 2)	—	—	—	3.79	—
	Cash flow adequacy ratio (%) (Note 2)	—	—	—	—	—
	Cash flow reinvestment ratio (%) (Note 2)	—	—	—	5.88	—
Leverage	Operating leverage	2.60	2.04	1.91	1.93	1.91
	Financial leverage	1.13	1.16	1.20	1.24	1.11
Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%):						
1. Long-term fund to property, plant, and equipment ratio: The increase in shareholders' equity was mainly due to the continued expansion of the Company's business scale and increase in revenue as well as issuance of new shares for acquisition of shares of other companies and a cash issue of Class A preferred shares to meet the demand on working capital.						
2. Quick ratio: Most continued business expansion and rising revenue in 2020 took place in the second half year due to external factors, leading to an increase in accounts receivable at the end of 2020 that pushed the quick ratio higher.						
3. Times interest earned: It resulted from the Fed lowering rates and the market rates falling in response in 2020, leading to lower interest expense.						
4. Average days of collection: Most continued business expansion and rising revenue in 2020 took place in the second half year due to external factors, leading to an increase in accounts receivable at the end of 2020 that pushed the average days of collection higher.						
5. Net margin: The increase in net margin was mainly due to continued expansion and rising revenue combined with financial costs lowered by market rates in the year.						
6. Earnings per share: The increase in net income after taxes was mainly due to continued expansion and rising revenue combined with financial costs reduced by lower market rates in the year.						
7. Cash flow ratio (%) Strong sales in 2019 resulted in net cash inflows from operating activities. Most revenue increase took place in the second half year due to external factors in 2020. The increase in accounts receivable at the end of 2020 generated cash outflows from operating activities.						

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Negative results are not listed.

Note 3: The calculation excludes cumulative effect of changes in accounting principles.

Note 4: The formulas for financial analysis calculations are as follows:

1. Financial structure:

(1) Debt to asset ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity:

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability:

(1) Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)

(2) Average Collection Days = 365 / Average Collection Turnover

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Fixed assets turnover ratio = net sales / total average fixed assets.

4. Profitability:

(1) Return on Total Assets = (Net Income + Interest Expenses \* (1-Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Equity

(3) Net profit margin = after-tax profit / net operating income.

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash flows:

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit – interest expense).

## 2. Financial Analysis (Parent Company Only)

Item \ Year		Financial analysis for the past five years (note 1)				
		2016	2017	2018	2019	2020
Financial structure %	Debt to asset ratio	67.92	63.63	72.01	72.43	58.38
	Long-term Fund to Property, Plant and Equipment	4,262.10	5,265.12	4,711.19	5,175.26	10,841.46
Liquidity %	Current Ratio	108.54	110.98	104.14	108.56	119.88
	Quick Ratio	59.67	45.45	43.03	52.46	71.02
	Times interest earned	10.23	9.55	7.61	5.06	13.55
Operating ability	Average collection turnover (times)	7.84	9.58	11.78	10.36	7.77
	Average days of collection	47	38	31	35	47
	Average inventory turnover (times)	7.54	7.56	7.60	8.02	8.91
	Average payables turnover (times)	9.58	8.82	8.48	7.61	6.81
	Average days of sales	48	48	48	46	41
	Property, plant and equipment turnover (times)	253.18	340.08	473.54	570.03	620.93
	Total assets turnover (times)	2.45	2.72	3.21	3.36	2.95
Profitability	Return on assets (%)	4.02	5.18	4.75	3.80	4.15
	Return on equity (%)	10.05	13.63	13.27	11.18	10.91
	Pre-tax income to paid-in capital ratio (%)	40.28	51.30	56.40	48.74	45.68
	Net profit margin (%)	1.49	1.71	1.30	0.92	1.31
	Earnings Per Share (NT\$)	3.61	5.26	5.02	4.32	5.22
Cash flows	Cash flow ratio (%) (Note 2)	—	10.37	—	0.36	—
	Cash flow adequacy ratio (%) (Note 2)	—	—	—	—	—
	Cash flow reinvestment ratio (%) (Note 2)	—	—	—	—	—
Leverage	Operating leverage	2.15	1.80	1.81	1.87	2.05
	Financial leverage	1.20	1.19	1.26	1.44	1.17

Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%):

1. Long-term fund to property, plant, and equipment ratio: The increase in shareholders' equity was mainly due to the continued expansion of the Company's business scale and increase in revenue as well as issuance of new shares for acquisition of shares of other companies and a cash issue of Class A preferred shares to meet the demand on working capital.
2. Quick Ratio: Most continued business expansion and rising revenue in 2020 took place in the second half year due to external factors, leading to an increase in accounts receivable at the end of 2020 that pushed the quick ratio higher.
3. Times interest earned: It resulted from the Fed lowering rates and the market rates falling in response in 2020, leading to lower interest expense.
4. Average collection turnover and average days of collection: Most continued business expansion and rising revenue in 2020 took place in the second half year due to external factors, leading to an increase in accounts receivable at the end of 2020 that pushed the average collection turnover down and the average days of collection up.
5. Net Margin: The increase in net margin was mainly due to continued expansion and rising revenue combined with financial costs lowered by market rates in the year.
6. Earnings per share: The increase in net income after taxes was mainly due to continued expansion and rising revenue combined with financial costs reduced by lower rates in the year.
7. Cash flow ratio: Strong sales in 2019 resulted in net cash inflows from operating activities. Most revenue increase took place in the second half year due to external factors in 2020. The increase in accounts receivable at the end of 2020 generated cash outflows from operating activities.

\*The formulas in this chart are the same as the consolidated financial analysis in previous page.

III. Supervisor's or Audit Committee's review report in the most recent year:

- (I) Supervisors' Review Report: Not applicable as the Company has an audit committee.

(II) Audit Committee's review report:

**WT Microelectronics Co., Ltd.**  
**Audit Committee's Review Report**

The Board of Directors has prepared and submitted the 2020 business report and financial statements. PricewaterhouseCoopers Taiwan audited the financial statements and issued an audit report. These have been reviewed by the Audit Committee and determined to be correct and accurate as WT Microelectronics' business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the report is as above.

To

2021 Annual Shareholders' Meeting of WT Microelectronics Co., Ltd.

Audit Committee convener: Cheng, Tien-Chong

February 25, 2021

## **WT Microelectronics Co., Ltd. Audit Committee's Review Report**

The Company's 2020 earnings distribution proposal submitted by the Board of Directors has been reviewed by the Audit Committee and determined to be correct. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the report is as above.

To

2021 Annual Shareholders' Meeting of WT Microelectronics Co., Ltd.

Audit Committee convener: Cheng, Tien-Chong

April 16, 2021

#### IV. Financial statements for the most recent year

##### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

##### ***Opinion***

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

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

##### ***Basis for opinion***

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

##### ***Key audit matters***

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



Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### **Recognition of supplier rebates**

#### Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. Under the arrangement, the Group calculates the amount of supplier rebates based on sales details, and recognises it as a deduction of accounts payable to suppliers and a deduction of operating costs. The Group pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and requires more audit effort to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Performed analysis on the ratio of supplier rebates of main inventory items to corresponding total sales amount, and compared with historical data in order to assess its reasonableness;
- C. Sampled supplier rebates and tested transaction data to confirm whether the transaction quantities were consistent with sales details. Also, verified arrangements and calculation worksheets, and recalculated supplier rebates to ensure that the rebate recognition was correct;



- D. Sampled the supplier rebates which were recognised before balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- E. Performed confirmation of selected material accounts payable, including supplier rebates which have been confirmed by suppliers, and examined the reconciliation for the differences between the amount stated in the suppliers' confirmation and the Company's records.

### **Impairment assessment of goodwill**

#### Description

Refer to Note 4(19) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(11) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2020, the Group's goodwill amounted to NT\$1,826,278 thousand. For the year ended December 31, 2020, the Group recognised consolidated impairment loss of goodwill amounting to NT\$46,013 thousand.

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group uses the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assessed whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding and assessed management's assessment process of each cash generating unit and examined whether the adopted future cash flows are consistent with the budget provided by the operating segment;
- B. As the recoverable amount was determined based on value-in-use, ascertained the reasonableness of estimated growth rate, discount rate and other significant assumptions and performed the following:
  - (a) Compared the reasonableness of estimated growth rate with historical data and our knowledge of the business and industry;
  - (b) Evaluated the parameters of discounted rate, including risk-free interest rate, industry's risk coefficient, returns on similar assets in the market, and proportion of equity capital; and
  - (c) Checked the parameters of valuation model and the setting of calculation formula.
- C. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.
- D. Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed whether management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

#### **Assessment of inventory valuation losses**

##### Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory valuation. As at December 31, 2020, the Group's inventories and allowance for inventory valuation losses were NT\$45,337,620 thousand and NT\$1,023,228 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. The net realisable values of obsolete inventories are individually identified as obsolete or damaged, if any. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are many, and the



identification of obsolete and damaged inventory and its net realisable value is subject to management's judgement, we consider the assessment of inventory valuation losses a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry in order to assess whether the provision policies and procedures were applied consistently and reasonably during the periods, including the classification of each inventory and identified as obsolete with supporting documents, and agreed to information obtained from physical inventory; and
- C. Obtained the net realisable value statement of each inventory, and tested supporting documents in relation to sources of information in calculating the net realisable value.

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2020 and 2019.

#### ***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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

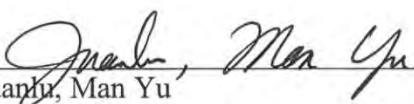


- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If 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.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 of the current period 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.

  
Juan Yu, Man Yu

  
Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2021

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

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	3,627,112	3	\$	3,106,631	3
1110	Financial assets at fair value through profit or loss - current	6(2)		13,135	-		-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)		373,071	-		404,806	-
1140	Current contract assets			16,623	-		-	-
1170	Accounts receivable, net	6(4)		60,850,292	46		44,665,508	44
1200	Other receivables	6(4)(5)		1,075,835	1		1,734,068	2
130X	Inventories	6(6)		44,314,392	34		45,795,192	45
1410	Prepayments			818,434	1		411,090	1
1470	Other current assets	6(1) and 8		2,763	-		42,021	-
11XX	Total current assets			111,091,657	85		96,159,316	95
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)		115,046	-		-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		14,826,321	11		265,779	-
1550	Investments accounted for using equity method	6(7)		122,906	-		156,858	-
1600	Property, plant and equipment	6(8)		1,003,193	1		1,010,410	1
1755	Right-of-use assets	6(9)		772,852	1		848,855	1
1760	Investment property - net	6(10)		103,314	-		104,128	-
1780	Intangible assets	6(11)		1,911,613	1		1,883,859	2
1840	Deferred income tax assets	6(31)		819,550	1		752,760	1
1900	Other non-current assets			243,146	-		185,271	-
15XX	Total non-current assets			19,917,941	15		5,207,920	5
1XXX	Total assets		\$	131,009,598	100	\$	101,367,236	100

(Continued)

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 23,314,455	18	\$ 25,995,988	26
2110	Short-term notes and bills payable	6(13)	747,643	1	463,840	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	26,118	-
2130	Contract liabilities - current	6(24)	506,379	-	195,597	-
2170	Accounts payable		54,945,766	42	45,689,544	45
2200	Other payables	6(14)	1,723,279	1	1,803,941	2
2230	Current income tax liabilities		684,636	1	644,397	1
2280	Lease liabilities - current		169,023	-	146,154	-
2320	Long-term liabilities, current portion	6(16)	-	-	120,080	-
2365	Refund liabilities - current	6(24)	459,101	-	552,019	1
2399	Other current liabilities		62,460	-	44,635	-
21XX	Total current liabilities		82,612,742	63	75,682,313	75
Non-current liabilities						
2530	Bonds payable	6(15)	377,194	-	1,124,091	1
2540	Long-term loans	6(16)	800,000	1	-	-
2570	Deferred income tax liabilities	6(31)	604,978	1	519,569	1
2580	Lease liabilities - non-current		330,899	-	426,419	-
2600	Other non-current liabilities		167,404	-	135,708	-
25XX	Total non-current liabilities		2,280,475	2	2,205,787	2
2XXX	Total liabilities		84,893,217	65	77,888,100	77
Equity attributable to owners of parent						
	Share capital	6(19)				
3110	Common stock		7,880,260	6	5,903,358	6
3120	Preference share		1,350,000	1	-	-
3130	Certificates of entitlement to new shares from convertible bonds		2,057	-	11,011	-
	Capital surplus	6(20)				
3200	Capital surplus		20,094,981	15	9,531,836	9
	Retained earnings	6(21)				
3310	Legal reserve		2,280,822	2	2,019,788	2
3320	Special reserve		791,142	1	143,568	-
3350	Unappropriated retained earnings		8,070,791	6	6,659,975	7
	Other equity interest	6(22)				
3400	Other equity interest		5,607,964	4	( 791,142 )	( 1 )
31XX	Equity attributable to owners of the parent		46,078,017	35	23,478,394	23
36XX	Non-controlling interest	6(23)	38,364	-	742	-
3XXX	Total equity		46,116,381	35	23,479,136	23
	Commitments and contingent liabilities	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 131,009,598	100	\$ 101,367,236	100

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



**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items		Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(24)	\$ 353,152,195	100	\$ 335,187,151	100
5000	Operating costs	6(6)	( 342,377,773)	( 97)	( 324,386,746)	( 97)
5900	Net operating margin		10,774,422	3	10,800,405	3
	Operating expenses	6(29)				
6100	Selling expenses		( 4,069,653)	( 1)	( 4,149,755)	( 1)
6200	General and administrative expenses		( 978,659)	( 1)	( 987,816)	-
6300	Research and development expenses		( 385,971)	-	( 407,103)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	( 24,170)	-	( 2,501)	-
6000	Total operating expenses		( 5,458,453)	( 2)	( 5,547,175)	( 1)
6900	Operating profit		5,315,969	1	5,253,230	2
	Non-operating income and expenses					
7100	Interest income	6(25)	16,068	-	21,500	-
7010	Other income	6(26)	210,236	-	52,000	-
7020	Other gains and losses	6(27)	278,052	-	21,257	-
7050	Finance costs	6(28)	( 990,675)	-	( 1,953,119)	( 1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	( 30,881)	-	( 85,783)	-
7000	Total non-operating income and expenses		( 517,200)	-	( 1,944,145)	( 1)
7900	<b>Profit before income tax</b>		4,798,769	1	3,309,085	1
7950	Income tax expense	6(31)	( 1,004,193)	-	( 777,838)	-
8200	<b>Profit for the year</b>		\$ 3,794,576	1	\$ 2,531,247	1

(Continued)

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Losses on remeasurements of defined benefit plans	6(17)	(\$ 5,707)	-	(\$ 10,286)	-
8316	Unrealised gain on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)	8,014,355	2	207,749	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		1,142	-	2,057	-
8310	Other comprehensive income that will not be reclassified to profit or loss		8,009,790	2	199,520	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(22)(23)	( 1,442,482)	-	( 753,219)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(7)	2,116	-	( 1,406)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)	-	-	( 13,087)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		( 1,440,366)	-	( 767,712)	-
8300	<b>Total other comprehensive income (loss) for the year</b>		<u>\$ 6,569,424</u>	<u>2</u>	<u>(\$ 568,192)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 10,364,000</u>	<u>3</u>	<u>\$ 1,963,055</u>	<u>1</u>
	Profit attributable to:					
8610	Owners of the parent		\$ 3,794,178	1	\$ 2,530,940	1
8620	Non-controlling interest		398	-	307	-
			<u>\$ 3,794,576</u>	<u>1</u>	<u>\$ 2,531,247</u>	<u>1</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 10,363,641	3	\$ 1,962,768	1
8720	Non-controlling interest		359	-	287	-
			<u>\$ 10,364,000</u>	<u>3</u>	<u>\$ 1,963,055</u>	<u>1</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(32)	<u>\$ 5.22</u>		<u>\$ 4.32</u>	
9850	Diluted earnings per share		<u>\$ 5.06</u>		<u>\$ 4.18</u>	

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

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share Capital			Retained Earnings			Other Equity Interest					
				Certificates of bond-to-stock conversion					Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		Non- controlling interest	
Notes		Share capital - common stock	Preference share		Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings			Total		Total equity
2019													
		\$ 5,551,889	\$ -	\$ 24,217	\$ 8,773,382	\$ 1,741,965	\$ 109,102	\$ 5,749,889	(\$ 392,100 )	\$ 248,532	\$ 21,806,876	\$ 712	\$ 21,807,588
		-	-	-	-	-	-	2,530,940	-	-	2,530,940	307	2,531,247
	6(22)	-	-	-	-	-	-	( 8,229 )	( 767,694 )	207,751	( 568,172 )	( 20 )	( 568,192 )
		-	-	-	-	-	-	2,522,711	( 767,694 )	207,751	1,962,768	287	1,963,055
Appropriations of 2018 earnings:													
	6(21)												
		-	-	-	-	277,823	-	( 277,823 )	-	-	-	-	-
		-	-	-	-	-	34,466	( 34,466 )	-	-	-	-	-
		-	-	-	-	-	-	( 1,387,967 )	-	-	( 1,387,967 )	-	( 1,387,967 )
Due to recognition of equity component of convertible bonds issued													
		-	-	-	37,762	-	-	-	-	-	37,762	-	37,762
	6(19)(20)	351,469	-	( 13,206 )	720,614	-	-	-	-	-	1,058,877	-	1,058,877
	6(23)	-	-	-	-	-	-	-	-	-	-	( 257 )	( 257 )
Disposal of financial assets at fair value through other comprehensive income													
	6(22)	-	-	-	-	-	-	87,631	-	( 87,631 )	-	-	-
Changes in ownership interests in subsidiaries													
		-	-	-	78	-	-	-	-	-	78	-	78
		\$ 5,903,358	\$ -	\$ 11,011	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 1,159,794 )	\$ 368,652	\$ 23,478,394	\$ 742	\$ 23,479,136
2020													
		\$ 5,903,358	\$ -	\$ 11,011	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 1,159,794 )	\$ 368,652	\$ 23,478,394	\$ 742	\$ 23,479,136
		-	-	-	-	-	-	3,794,178	-	-	3,794,178	398	3,794,576
	6(22)	-	-	-	-	-	-	( 4,565 )	( 1,440,312 )	8,014,340	6,569,463	( 39 )	6,569,424
		-	-	-	-	-	-	3,789,613	( 1,440,312 )	8,014,340	10,363,641	359	10,364,000
Appropriations of 2019 earnings:													
	6(21)												
		-	-	-	-	261,034	-	( 261,034 )	-	-	-	-	-
		-	-	-	-	-	647,574	( 647,574 )	-	-	-	-	-
		-	-	-	-	-	-	( 1,645,111 )	-	-	( 1,645,111 )	-	( 1,645,111 )
Issuance of shares													
	6(19)(20)	1,710,000	-	-	4,914,000	-	-	-	-	-	6,624,000	-	6,624,000
Issuance of preference shares													
	6(19)(20)	-	1,350,000	-	5,400,000	-	-	-	-	-	6,750,000	-	6,750,000
Compensation cost of share-based payments													
	6(18)	-	-	-	1,706	-	-	-	-	-	1,706	-	1,706
Conversion of convertible bonds													
	6(19)(20)	266,902	-	( 8,954 )	496,449	-	-	-	-	-	754,397	-	754,397
Changes in non-controlling interest													
	6(23)	-	-	-	-	-	-	-	-	-	-	37,263	37,263
Disposal of financial assets at fair value through other comprehensive income													
	6(22)	-	-	-	-	-	-	174,922	-	( 174,922 )	-	-	-
Reorganization													
	4(3)	-	-	-	( 249,010 )	-	-	-	-	-	( 249,010 )	-	( 249,010 )
		\$ 7,880,260	\$ 1,350,000	\$ 2,057	\$ 20,094,981	\$ 2,280,822	\$ 791,142	\$ 8,070,791	(\$ 2,600,106 )	\$ 8,208,070	\$ 46,078,017	\$ 38,364	\$ 46,116,381

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

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 4,798,769	\$ 3,309,085
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(29)	297,451	287,610
Amortisation	6(29)	13,454	9,776
Impairment loss determined in accordance with IFRS 9	12(2)	24,170	2,501
Net loss on financial assets and liabilities at fair value through profit or loss	6(27)	48,150	9,982
Share-based payments	6(18)	1,706	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	30,881	85,783
Loss on disposal of property, plant and equipment, net	6(27)	749	285
Impairment loss	6(27)	46,013	3,811
Interest expense	6(28)	570,507	1,036,861
Interest income	6(25)	( 16,068 )	( 21,500 )
Dividend income	6(26)	( 115,395 )	( 5,977 )
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		( 16,623 )	-
Accounts receivable		( 18,888,582 )	( 9,660,226 )
Other receivables		454,008	332,388
Inventories		( 1,367,170 )	115,385
Prepayments		( 405,390 )	( 57,545 )
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		( 83,066 )	12,154
Contract liabilities		316,665	74,386
Accounts payable		14,122,144	9,357,292
Other payables		( 11,477 )	23,965
Other current liabilities (including refund liabilities)		( 76,461 )	( 325,880 )
Accrued pension liabilities		( 2,503 )	( 20,869 )
Cash (outflow) inflow generated from operations		( 258,068 )	4,569,267
Interest received		16,068	21,500
Dividends received		115,395	5,977
Interest paid		( 566,047 )	( 1,045,436 )
Income taxes paid		( 963,509 )	( 684,002 )
Net cash flows (used in) from operating activities		( 1,656,161 )	2,867,306

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**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in other receivables - related parties		\$ 147,775	\$ -
Acquisition of financial assets at fair value through profit or loss		( 176,921 )	-
Proceeds from disposal of financial assets at fair value through profit or loss		56,450	-
Acquisition of financial assets at fair value through other comprehensive income		( 98,923 )	( 20,000 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	187,887	92,212
Decrease in other financial assets		38,875	47,220
Acquisition of property, plant and equipment	6(34)	( 105,967 )	( 110,030 )
Proceeds from disposal of property, plant and equipment		280	488
Acquisition of intangible assets	6(11)	( 5,008 )	( 23,585 )
Net cash payments for business combination	6(33)(34)	( 253,983 )	( 15,396 )
(Increase) decrease in other non-current assets		( 48,435 )	3,932
Acquisition of right-of-use assets		-	( 17,227 )
Net cash flows used in investing activities		( 257,970 )	( 42,386 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term borrowings	6(35)	( 2,648,544 )	( 11,581 )
Increase (decrease) in short-term notes and bills payable	6(35)	277,458	( 1,374,671 )
Proceeds from long-term borrowings	6(35)	800,000	-
Payments of long-term loans	6(35)	( 120,424 )	( 865,160 )
Proceeds from issuing bonds	6(15)(35)	-	1,195,000
Repayments of bonds	6(35)	-	( 49,900 )
Increase (decrease) in other non-current liabilities		28,276	( 1,547 )
Changes in non-controlling interest	6(23)	( 276 )	( 257 )
Payment of lease liabilities	6(35)	( 167,446 )	( 156,509 )
Cash dividends paid	6(21)	( 1,645,111 )	( 1,387,967 )
Issuance of preference shares	6(19)	6,750,000	-
Net cash flows from (used in) financing activities		3,273,933	( 2,652,592 )
Effect of exchange rate changes		( 839,321 )	( 400,878 )
Net increase (decrease) in cash and cash equivalents		520,481	( 228,550 )
Cash and cash equivalents at beginning of year		3,106,631	3,335,181
Cash and cash equivalents at end of year		<u>\$ 3,627,112</u>	<u>\$ 3,106,631</u>

The accompanying notes are an integral part of these consolidated financial statements.  
-193-

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

**1. HISTORY AND ORGANISATION**

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 25, 2021.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)
Note : Earlier application from January 1, 2020 is allowed by the FSC.	

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

**Amendments to IFRS 3, 'Definition of a business'**

The amendments clarify the definition of a business 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. The definition of the term "outputs" is amended to focus on goods and services provided to customers and it excludes the reference to an ability to reduce costs. The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed. Also, an optional

concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business has been added.

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

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

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

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

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

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

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

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

Amendments to IFRS 3, 'Reference to the conceptual framework'

The amendments were made to IFRS 3, 'Business combinations' to update the references to the 2018 Conceptual Framework for Financial Reporting, in determining what constitutes an asset or a liability in a business combination. In addition, the amendments added an exception in IFRS 3 for the recognition of liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also confirmed that contingent assets, as defined in IAS 37, should not be recognised by the acquirer at the acquisition date.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

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



- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	-	100	(c)
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Analog World Co., Ltd.	Trading Company	100	-	(b)
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Supreme Mega Ltd.	Investment Company	-	47.98	(a)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
Wintech Microelectronics Holding Limited	Brillnics Inc.	Investment Company	54.15	-	(a)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100	100	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100	100	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	100	(d)
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100	100	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100	100	
Best Winner International	Maxtek International (HK) Limited.	Trading Company	100	100	
Supreme Mega Ltd.	Brillnics Inc.	Investment Company	-	84.39	(a)
Brillnics Inc.	Brillnics (HK) Limited	Manufacturing Company	100	100	(a)
Brillnics Inc.	Brillnics Singapore Pte.Ltd.	Trading Company	100	100	(a)
Brillnics (HK) Limited	Brillnics Japan Inc.	Manufacturing Company	100	100	(a)
Brillnics (HK) Limited	Brillnics (Taiwan) Inc.	Manufacturing Company	100	100	(a)

- (a) Wintech Microelectronics Holding Limited indirectly invested in Brillnics Inc. through Supreme Mega Ltd. In December 2020, Supreme Mega Ltd. implemented its dissolution and liquidation procedures and returned Brillnics Inc.'s shares to the original shareholders proportionately based on their owned shares of Supreme Mega Ltd. Further, Brillnics Inc. increased its capital by issuing preferred shares in December 2020 and accordingly, the shareholder ratio of Wintech Microelectronics Holding Limited in Brillnics Inc. increased to 54.15%, and capital surplus decreased by \$249,010.
- (b) In October 2020, the Company acquired all the equity interest of Analog World Co., Ltd. by cash, which then became a wholly-owned subsidiary and was included in the consolidated financial statements from the acquisition date.

(c) In December 2020, AboveE Technology Inc. has been dissolved and liquidated.

(d) WT Microelectronics India Private Limited is a newly established subsidiary in August 2019.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

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

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

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

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

C. Translation of foreign operations

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

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

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

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

- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets (liabilities) at fair value through profit or loss

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or



exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(18) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 ~ 5 years.
- C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 ~ 8 years.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption

value is recognised in profit or loss over the period of the borrowings using the effective interest method.

- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

(24) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(25) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

## (26) Share capital

Ordinary shares are classified as equity. The classification of preference shares is determined according to the special rights attached to the preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preference shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders or Board of Directors. Cash dividends are recorded as liabilities.

(28) Revenue recognition

- A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised

amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.



(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(11) for the information of goodwill impairment.

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 2,830	\$ 1,531
Checking accounts and demand deposits	<u>3,624,282</u>	<u>3,105,100</u>
	<u>\$ 3,627,112</u>	<u>\$ 3,106,631</u>

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

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2020 and 2019, the time deposits with maturity date over 3 months of \$0 and \$39,109, respectively, are recorded as 'other current assets'.

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

Assets	December 31, 2020	December 31, 2019
Current items:		
Beneficiary certificates	\$ 13,135	\$ -
Non-current items:		
Redeemable bonds	\$ 349	\$ -
Beneficiary certificates	114,697	-
	<u>\$ 115,046</u>	<u>\$ -</u>
Liabilities		
Current items:		
Derivatives	\$ -	\$ 26,118

A. Amounts recognised in profit or loss in relation to financial assets and liabilities mandatorily measured at fair value through profit or loss are as follows:

	Years ended December 31,	
	2020	2019
Derivative instruments	(\$ 56,949)	(\$ 9,982)
Beneficiary certificates	8,802	-
Overseas bonds	(3)	-
	<u>(48,150)</u>	<u>(9,982)</u>

B. The non-hedging derivative instruments and contract information are as follows:

	December 31, 2019	
	Contract amount (Notional principal)	Contract period
Derivative financial liabilities	(In thousands)	
Current items:		
Forward foreign exchange contracts	USD (BUY) 147,017	2019.11.8~2020.3.27

The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

D. The Group has no financial assets measured at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments	\$ 373,071	\$ 404,806
Non-current items:		
Equity instruments	\$ 14,826,321	\$ 265,779

- A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.
- B. The Company exchanged shares with ASMedia Technology Inc. on April 21, 2020 and acquired \$6,624,000 of financial assets at fair value through other comprehensive income - non-current. Please refer to Note 6(19) for more details.
- C. Aiming to satisfy its operating capital needs, the Group sold \$187,887 and \$92,212 of listed and unlisted shares at fair value which resulted in a cumulative gain on disposal of \$174,922 and \$87,631 during the years ended December 31, 2020 and 2019, respectively.
- D. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2020 and 2019.
- E. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2020 and 2019.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 2,511,120	\$ 1,774,036
Accounts receivable	58,567,256	43,172,327
Less: Allowance for uncollectible accounts	( 228,084)	( 280,855)
Notes and accounts receivable, net	<u>60,850,292</u>	<u>44,665,508</u>
Overdue receivables	477,261	975,343
Less: Allowance for uncollectible accounts	( 477,261)	( 975,343)
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>-</u>
	<u>\$ 60,850,292</u>	<u>\$ 44,665,508</u>

- A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$37,410,341.
- B. Transferred financial assets that are derecognised in their entirety
- (a) As of December 31, 2020 and 2019, the Group had outstanding discounted notes receivable amounting to \$1,424,001 and \$1,475,639, respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.
- (b) The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable transferred (Amount derecognised)	<u>\$ 24,147,739</u>	<u>\$ 36,854,586</u>
Amount advanced	<u>\$ 23,727,304</u>	<u>\$ 36,248,848</u>
Amount retained (shown as 'other receivables')	<u>\$ 420,435</u>	<u>\$ 605,738</u>

- i. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- ii. As of December 31, 2020 and 2019, the interest rates for amounts advanced ranged between 0.392%~1.38% and 1.2%~3.97%, respectively.
- iii. As of December 31, 2020 and 2019, the total limits of the accounts receivable factoring were \$79,369,034 and \$81,356,704, respectively.
- iv. As of December 31, 2020 and 2019, the Group has issued a promissory note of \$177,137,602 and \$156,259,104, respectively, as performance guarantee against any business dispute.
- v. Please refer to Note 6(28) for information on financing charges on accounts receivable factoring for the years ended December 31, 2020 and 2019.

C. Transferred financial assets that are not derecognised in their entirety

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

As of December 31, 2020 and 2019, the total limits of the accounts receivable factoring agreement with recourse were \$933,517 and \$750,500, respectively. The Group has no accounts receivable that are financed and amount advanced.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

F. As of December 31, 2020 and 2019, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$14,288,166 and \$15,046,030, respectively, and recorded as 'accounts receivable'.

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

(5) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
VAT refund receivable	\$ 628,959	\$ 866,889
Amounts retained for accounts receivable factoring	420,435	605,738
Others	26,441	261,441
	<u>\$ 1,075,835</u>	<u>\$ 1,734,068</u>

(6) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise inventory	\$ 45,337,620	\$ 46,779,421
Less: Allowance for inventory obsolescence and market value decline	( 1,023,228)	( 984,229)
	<u>\$ 44,314,392</u>	<u>\$ 45,795,192</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cost of inventories sold	\$ 342,312,603	\$ 324,349,224
Loss on decline in market value	64,842	37,155
Loss on physical inventory	328	367
	<u>\$ 342,377,773</u>	<u>\$ 324,386,746</u>

(7) Investments accounted for using equity method

	<u>2020</u>	<u>2019</u>
At January 1	\$ 156,858	\$ 246,346
Share of loss of investments accounted for using equity method	( 30,881)	( 85,783)
Changes in other equity items	( 3,071)	( 3,705)
At December 31	<u>\$ 122,906</u>	<u>\$ 156,858</u>

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Loss for the year from continuing operations	(\$ 30,881)	(\$ 85,783)
Other comprehensive income (loss), net of tax	2,116	( 1,406)
Total comprehensive loss	<u>(\$ 28,765)</u>	<u>(\$ 87,189)</u>

(8) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2020</u>					
Cost	\$ 225,459	\$ 641,873	\$ 389,030	\$ 354,743	\$1,611,105
Accumulated depreciation and impairment	-	( 112,299)	( 249,171)	( 239,225)	( 600,695)
	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$1,010,410</u>
<u>2020</u>					
Opening net book amount	\$ 225,459	\$ 529,574	\$ 139,859	\$ 115,518	\$1,010,410
Acquired from business combinations	-	-	2,100	-	2,100
Additions	-	4,659	39,402	62,092	106,153
Disposals	-	-	( 1,029)	-	( 1,029)
Depreciation charge	-	( 14,953)	( 50,187)	( 55,077)	( 120,217)
Net exchange differences	-	5,257	499	20	5,776
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$1,003,193</u>
<u>At December 31, 2020</u>					
Cost	\$ 225,459	\$ 652,172	\$ 438,688	\$ 432,193	\$1,748,512
Accumulated depreciation and impairment	-	( 127,635)	( 308,044)	( 309,640)	( 745,319)
	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$1,003,193</u>
	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 634,212	\$ 360,629	\$ 296,940	\$1,517,240
Accumulated depreciation and impairment	-	( 98,392)	( 218,235)	( 205,319)	( 521,946)
	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 535,820	\$ 142,394	\$ 91,621	\$ 995,294
Additions	-	-	55,816	70,001	125,817
Disposals	-	-	( 770)	( 3)	( 773)
Reclassifications	-	24,663	-	-	24,663
Depreciation charge	-	( 14,631)	( 54,672)	( 46,015)	( 115,318)
Net exchange differences	-	( 16,278)	( 2,909)	( 86)	( 19,273)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$1,010,410</u>
<u>At December 31, 2019</u>					
Cost	\$ 225,459	\$ 641,873	\$ 389,030	\$ 354,743	\$1,611,105
Accumulated depreciation and impairment	-	( 112,299)	( 249,171)	( 239,225)	( 600,695)
	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$1,010,410</u>

- A. The information on property, plant and equipment acquired through business combinations for the year ended December 31, 2020 is provided in Note 6(33).
- B. Office and other equipments at December 31, 2020 and 2019 were for the Group's own use and not for lease.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 283,739	\$ 284,991
Buildings and structures	489,113	563,864
	<u>\$ 772,852</u>	<u>\$ 848,855</u>
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,786	\$ 5,466
Buildings and structures	170,634	166,012
	<u>\$ 176,420</u>	<u>\$ 171,478</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$100,714 and \$134,292, respectively.
- D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 16,436	\$ 19,793
Expense on short-term lease contracts	80,470	97,140

- E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$264,352 and \$273,442, respectively.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 15,810)	( 17,707)
	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>
<u>2020</u>			
Opening net book amount	\$ 82,839	\$ 21,289	\$ 104,128
Depreciation charge	-	( 814)	( 814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>
<u>At December 31, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 16,624)	( 18,521)
	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 14,996)	( 16,893)
	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>
<u>2019</u>			
Opening net book amount	\$ 82,839	\$ 22,103	\$ 104,942
Depreciation charge	-	( 814)	( 814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>
<u>At December 31, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 15,810)	( 17,707)
	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>



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

	Years ended December 31,	
	2020	2019
Rental income from the lease of the investment property	\$ 2,643	\$ 2,602
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 814	\$ 814

B. The fair values of the investment property held by the Group as at December 31, 2020 and 2019 were \$184,376 and \$136,824, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(11) Intangible assets

	Goodwill	Software	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 2,028,000	\$ 102,488	\$ 5,381	\$ 2,135,869
Accumulated amortisation and impairment	( 174,119)	( 77,891)	-	( 252,010)
	<u>\$ 1,853,881</u>	<u>\$ 24,597</u>	<u>\$ 5,381</u>	<u>\$ 1,883,859</u>
<u>2020</u>				
Opening net book amount	\$ 1,853,881	\$ 24,597	\$ 5,381	\$ 1,883,859
Additions	65,312	5,008	66,140	136,460
Amortisation charge (shown as 'general and administrative expenses')	-	( 10,185)	( 3,269)	( 13,454)
Impairment loss	( 46,013)	-	-	( 46,013)
Net exchange differences	( 46,902)	-	( 2,337)	( 49,239)
Closing net book amount	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>
<u>At December 31, 2020</u>				
Cost	\$ 2,046,410	\$ 107,496	\$ 69,152	\$ 2,223,058
Accumulated amortisation and impairment	( 220,132)	( 88,076)	( 3,237)	( 311,445)
	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 2,038,130	\$ 78,901	\$ -	\$ 2,117,031
Accumulated amortisation and impairment	( <u>170,309</u> )	( <u>68,113</u> )	<u>-</u>	( <u>238,422</u> )
	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ -</u>	<u>\$ 1,878,609</u>
<u>2019</u>				
Opening net book amount	\$ 1,867,821	\$ 10,788	\$ -	\$ 1,878,609
Additions	10,015	23,585	5,381	38,981
Amortisation charge (shown as 'general and administrative expenses')	-	(9,776)	-	(9,776)
Impairment loss	(3,811)	-	-	(3,811)
Net exchange differences	( <u>20,144</u> )	<u>-</u>	<u>-</u>	( <u>20,144</u> )
Closing net book amount	<u>\$ 1,853,881</u>	<u>\$ 24,597</u>	<u>\$ 5,381</u>	<u>\$ 1,883,859</u>
<u>At December 31, 2019</u>				
Cost	\$ 2,028,000	\$ 102,488	\$ 5,381	\$ 2,135,869
Accumulated amortisation and impairment	( <u>174,119</u> )	( <u>77,891</u> )	<u>-</u>	( <u>252,010</u> )
	<u>\$ 1,853,881</u>	<u>\$ 24,597</u>	<u>\$ 5,381</u>	<u>\$ 1,883,859</u>

- A. Other intangible assets mainly pertain to customer relationship.
- B. The information on intangible assets acquired through business combinations for the years ended December 31, 2020 and 2019 is provided in Note 6(33).
- C. Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Retail</u>	<u>Retail</u>
Greater China Region	\$ 1,171,171	\$ 1,228,405
All other segments	<u>655,107</u>	<u>625,476</u>
	<u>\$ 1,826,278</u>	<u>\$ 1,853,881</u>

- D. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The assumptions used for weighted average growth rates are based on past historical experience and expectations of industry; the assumption used for discount rate is the weighted average capital cost of the Group. As of December 31, 2020 and

2019, the key valuations used for pre-tax discount rate were 4.57%~10.3% and 6.69%~10.5%, respectively.

- E. The Group evaluated the impairment of recoverable amount of goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate for the years ended December 31, 2020 and 2019 are 0%~10% and 0%~5%, respectively, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, the Group recognised impairment loss of goodwill of \$46,013 and \$3,811 for the years ended December 31, 2020 and 2019, respectively, and are recorded as 'other gains and losses'.

- F. The impairment loss reported by operating segments is as follows:

	Years ended December 31,	
	2020	2019
Greater China Region	\$ 46,013	\$ 3,811

- G. There were no intangible assets that were pledged to others.

(12) Short-term borrowings

	December 31, 2020	December 31, 2019
Credit loans	\$ 23,314,455	\$ 25,995,988
Interest rates per annum	0.5186%~3.65%	0.9177%~4.002%

(13) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper	\$ 748,000	\$ 465,000
Amortisation of discount	( 357)	( 1,160)
	\$ 747,643	\$ 463,840
Coupon rate	0.331%~0.572%	0.61%~0.89%

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonuses payable	\$ 1,041,708	\$ 843,313
Freight payable	166,243	122,501
Accrued VAT payable	112,611	287,603
Costs to provide technical services payable	85,489	76,335
Insurance expense payable	55,590	47,284
Finance cost payable	38,570	120,739
Others	223,068	306,166
	<u>\$ 1,723,279</u>	<u>\$ 1,803,941</u>

(15) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 384,100	\$ 1,158,600
Less: Discount on bonds payable	( 6,906)	( 34,509)
	377,194	1,124,091
Less: Bonds payable, current portion	-	-
	<u>\$ 377,194</u>	<u>\$ 1,124,091</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2020, the conversion price was NT\$28.2 per share.
- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus share options’ amounting to \$12,087 as of December 31, 2020 , in accordance with IAS 32.
  - (c) As of December 31, 2020, the convertible bonds converted into 26,896 thousand common shares totaled \$815,900 at par value.
- B. Fifth unsecured convertible bonds of 2016
- (a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:
    - i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
    - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
    - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was NT\$31.3 per share.
    - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
  - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of December 31, 2020, in accordance with IAS 32.
  - (c) The abovementioned bonds matured on July 7, 2019. As of the maturity date, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value. The Company repaid \$49,900 of the unconverted bonds in accordance with the contract, and transferred \$1,875 from ‘capital surplus-share options’ to ‘capital surplus-share premium’.
- C. For the years ended December 31, 2020 and 2019, the amortised discount of bonds payable was \$7,500 and \$8,882, respectively.

(16) Long-term loans

Type of loans	Period	December 31, 2020	
		Credit line	Amount
Mid-term borrowings (Bank of Taiwan)	2020/9/14~2022/9/14	\$ <u>800,000</u>	\$ 800,000
Less: Long-term borrowings, current portion			<u>-</u>
			<u>\$ 800,000</u>
Range of interest rates			<u>1.2%</u>

Type of loans	Period	December 31, 2019	
		Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	\$ <u>120,080</u>	\$ 120,080
Less: Long-term borrowings, current portion			( <u>120,080</u> )
			<u>\$ -</u>
Range of interest rates			<u>2.8013%</u>

- A. The mid-term borrowing contract the Group entered into with the head quarter of The Export-Import Bank of the Republic of China expired in January 2020 and all the borrowings were settled in 2020.
- B. Under the Bank of Taiwan borrowing contract, the Group shall review the average balance of demand deposits every six months during the contract period in order to maintain the interest rate markup.
- C. The Group's liquidity risk is provided in Note 12.

(17) Pensions

A. Defined benefit pension plan

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

employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 206,193	\$ 194,236
Fair value of plan assets	( 142,768)	( 134,015)
Net defined benefit liability	<u>\$ 63,425</u>	<u>\$ 60,221</u>
Shown as 'other non-current assets'	<u>\$ 5,008</u>	<u>\$ 4,792</u>
Shown as 'other non-current liabilities'	<u>\$ 68,433</u>	<u>\$ 65,013</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 194,236	\$ 134,015	\$ 60,221
Current service cost	1,216	-	1,216
Interest (expense) income	<u>1,411</u>	<u>964</u>	<u>447</u>
	<u>196,863</u>	<u>134,979</u>	<u>61,884</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,558	( 4,558)
Change in financial assumptions	8,679	-	8,679
Experience adjustments	<u>1,586</u>	<u>-</u>	<u>1,586</u>
	<u>10,265</u>	<u>4,558</u>	<u>5,707</u>
Pension fund contribution	-	4,166	( 4,166)
Paid pension	( 935)	( 935)	-
Balance at December 31	<u>\$ 206,193</u>	<u>\$ 142,768</u>	<u>\$ 63,425</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 197,029	\$ 126,437	\$ 70,592
Current service cost	1,176	-	1,176
Interest (expense) income	2,010	1,286	724
	<u>200,215</u>	<u>127,723</u>	<u>72,492</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,365	( 4,365)
Change in financial assumptions	6,648	-	6,648
Experience adjustments	8,003	-	8,003
	<u>14,651</u>	<u>4,365</u>	<u>10,286</u>
Pension fund contribution	-	4,333	( 4,333)
Paid pension	( 20,630)	( 2,406)	( 18,224)
Balance at December 31	<u>\$ 194,236</u>	<u>\$ 134,015</u>	<u>\$ 60,221</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, hence, the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.3%~0.4%</u>	<u>0.7%~0.8%</u>
Future salary increases	<u>3%</u>	<u>3%</u>



Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 5,597)	\$ 5,801	\$ 5,121	(\$ 4,979)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 5,699)	\$ 5,919	\$ 5,288	(\$ 5,131)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$4,154.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 ~ 14 years.

#### B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2020 and 2019 were \$146,286 and \$194,431, respectively.

(18) Share-based payment

A. For the year ended December 31, 2020, the Group's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Cash capital increase reserved for employee preemption	2020.8.17	520 thousand shares	Vested immediately

B. The fair value of stock options granted on August 17, 2020 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2020.8.17	\$ 53.25	\$ 50.00	9.09	0.137	0.13	\$ 3.28

Compensation cost of share-based payment of \$1,706 was recognised for cash capital increase reserved for employee preemption for the year ended December 31, 2020.

(19) Share capital

Common Stock

A. As of December 31, 2020, the Company's authorised capital was \$15,000,000, including partial preferred shares, consisting of 1.5 billion shares (including 120 million shares reserved for employee stock options), and the paid-in capital was \$9,230,260 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2020	2019
	Shares (in thousands)	Shares (in thousands)
At January 1	591,437	557,611
Shares issued	171,000	-
Shares converted from bonds	25,795	33,826
At December 31	788,232	591,437

- C. On February 21, 2020, the Company's Board of Directors resolved to increase capital of \$1,710,000 by issuing 171 million ordinary shares in the amount of \$6,624,000 with a par value of NT\$10 (in dollars) per share to exchange for 9 million shares of ASMedia Technology Inc. The transaction was approved by the Financial Supervisory Committee on April 17, 2020, and the effective date was set on April 21, 2020.
- D. As of December 31, 2020, convertible bonds amounting to \$5,800 in total par value were requested for conversion into 206 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2020.

#### Preference Stock

On July 2, 2020, the Board of Directors resolved to increase the Company's capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preference shares with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the FSC on July 29, 2020, and the effective date was set on October 15, 2020. The rights and obligations of these outstanding preference shares are as follows:

- A. Expiration date: The Company's Class A preference shares are perpetual. The stockholders of Class A preferred stocks cannot request the Company to retire the preferred stocks they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preference shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.
- B. Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- C. Dividend distribution: Dividends of Class A preference shares are distributed once per year in the form of cash. The effective date for distributing previous year's distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The

remainder, if any in the current year, can be distributed as dividends of preferred shares in first priority.

The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares when resolved by the Board of Directors, which would not lead to default if the Company has no or has insufficient current year's earnings for distribution or has other necessary considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.

- D. Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- E. Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.
- F. Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the ordinary shareholders' meeting of the Company but have the right to vote in the shareholders' meeting for shareholders of Class A preference shares only and shareholders' meeting regarding unfavourable matters to rights and obligations of shareholders of Class A preference shares.
- G. Conversion to common shares: Class A preference shares could not be converted to common shares.
- H. The preemptive rights for shareholders of Class A preference shares are the same as of common shareholders when the Company increases its capital by issuing new shares.
- I. Capital surplus arising from premium issuance of Class A preference shares can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.

#### (20) Capital surplus

- A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Changes in capital surplus are as follows:

2020					
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	\$ 9,446,398	\$ 40,742	\$36,459	\$ 8,237	\$ 9,531,836
Issuance of shares	4,914,000	-	-	-	4,914,000
Issuance of preference shares	5,400,000	-	-	-	5,400,000
Compensation cost of share-based payments	1,706	-	-	-	1,706
Conversion of convertible bonds	520,821	-	( 24,372)	-	496,449
Reorganization	( 249,010)	-	-	-	( 249,010)
At December 31	<u>\$20,033,915</u>	<u>\$ 40,742</u>	<u>\$12,087</u>	<u>\$ 8,237</u>	<u>\$20,094,981</u>
2019					
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	\$ 8,684,119	\$ 40,742	\$40,362	\$ 8,159	\$ 8,773,382
Issuance of convertible bonds	-	-	37,762	-	37,762
Expiration of convertible bonds	1,875	-	( 1,875)	-	-
Conversion of convertible bonds	760,404	-	( 39,790)	-	720,614
Changes in subsidiaries accounted for using equity method	-	-	-	78	78
At December 31	<u>\$ 9,446,398</u>	<u>\$ 40,742</u>	<u>\$36,459</u>	<u>\$ 8,237</u>	<u>\$ 9,531,836</u>

B. For the information relating to capital surplus-share options, please refer to Note 6(15).

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, in the current year, shall be distributed as the dividend of preferred shares in first priority and then along with beginning unappropriated earnings is the accumulated distributable earnings which will be proposed to be distributed by the Board of Directors and resolved by the shareholders.
- B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of the Company Act which shall be reported to the shareholders during their meeting. Said distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.
- C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

F. According to the resolutions adopted by the stockholders during their meetings in March 2020 and June 2019, the distribution information of the Company's 2019 and 2018 earnings is as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 261,034		\$ 277,823	
Special reserve	647,574		34,466	
Cash dividends	<u>1,645,111</u>	\$ 2.776	<u>1,387,967</u>	\$ 2.36
	<u>\$ 2,553,719</u>		<u>\$ 1,700,256</u>	

(a) As of February 25, 2021, the appropriation of 2020 earnings has not yet been resolved by the Board of Directors.

(b) Information on the appropriation of the Company's earnings as approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2020	\$ 368,652	(\$ 1,159,794)	(\$ 791,142)
Valuation adjustment on equity instruments	8,014,340	-	8,014,340
Disposals reclassified as retained earnings	( 174,922)	-	( 174,922)
Currency translation differences:			
– Group	-	( 1,442,428)	( 1,442,428)
– Associates	-	2,116	2,116
At December 31, 2020	<u>\$ 8,208,070</u>	<u>(\$ 2,600,106)</u>	<u>\$ 5,607,964</u>

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	( 143,568)
Valuation adjustment on equity instruments	207,751	-	207,751
Disposals reclassified as retained earnings	( 87,631)	-	( 87,631)
Currency translation differences:			
– Group	-	( 766,288)	( 766,288)
– Associates	-	( 1,406)	( 1,406)
At December 31, 2019	<u>\$ 368,652</u>	<u>(\$ 1,159,794)</u>	<u>(\$ 791,142)</u>

(23) Non-controlling interests

	2020	2019
At January 1	\$ 742	\$ 712
Share attributable to non-controlling interest:		
Profit for the year	398	307
Increase in non-controlling interests	37,539	-
Exchange differences on translation of foreign financial statements	( 54)	( 18)
Disposal of financial assets at fair value through other comprehensive income reclassified as retained earnings	7	-
Unrealised financial assets at fair value through other comprehensive income	8	( 2)
Cash dividends paid	( 276)	( 257)
At December 31	<u>\$ 38,364</u>	<u>\$ 742</u>



(24) Operating revenue

	Years ended December 31,	
	2020	2019
Contract revenue		
Sale of electronic components	\$ 353,009,732	\$ 335,018,378
Other operating revenue	142,463	168,773
	<u>\$ 353,152,195</u>	<u>\$ 335,187,151</u>

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time in the following major product lines:

	Years ended December 31,	
	2020	2019
Analog IC	\$ 152,587,261	\$ 147,114,736
Microcontroller	27,276,279	25,453,854
IC Memory	26,633,620	22,462,363
Microprocessor	22,197,989	15,639,322
Discrete Devices	25,458,918	15,482,514
Application-Specific IC	14,893,001	25,690,676
Mixed-Signal IC	15,670,128	7,880,944
Others	68,434,999	75,462,742
	<u>\$ 353,152,195</u>	<u>\$ 335,187,151</u>

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Refund liabilities			
-sales discounts and returns	<u>\$ 459,101</u>	<u>\$ 552,019</u>	<u>\$ 879,111</u>
Contract liabilities			
-advance sales receipts	<u>\$ 506,379</u>	<u>\$ 195,597</u>	<u>\$ 118,246</u>

(25) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 11,824	\$ 17,143
Interest income - related parties	3,994	4,086
Other interest income	250	271
	<u>\$ 16,068</u>	<u>\$ 21,500</u>

(26) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 115,395	\$ 5,977
Grant revenue	48,697	2,934
Indemnity income	8,622	3,371
Other current liabilities recognised as other revenue	6,057	860
Other income	31,465	38,858
	<u>\$ 210,236</u>	<u>\$ 52,000</u>

(27) Other gains and losses

	Years ended December 31,	
	2020	2019
Foreign exchange gain, net	\$ 381,181	\$ 73,043
Loss on financial assets and liabilities at fair value through profit or loss	( 48,150)	( 9,982)
Impairment loss of goodwill	( 46,013)	( 3,811)
Loss on disposal of property, plant and equipment	( 749)	( 285)
Other losses	( 8,217)	( 37,708)
	<u>\$ 278,052</u>	<u>\$ 21,257</u>

Information on recognition of impairment loss of goodwill for the years ended December 31, 2020 and 2019 is provided in Note 6(11).

(28) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 540,226	\$ 998,188
Others	30,281	38,673
Financing charges on accounts receivable factoring	392,378	886,252
Other finance costs	27,790	30,006
	<u>\$ 990,675</u>	<u>\$ 1,953,119</u>

(29) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 3,402,303	\$ 3,412,629
Depreciation	297,451	287,610
Amortisation	13,454	9,776
Total (shown as 'Operating expenses')	<u>\$ 3,713,208</u>	<u>\$ 3,710,015</u>

(30) Employee benefit expense

	Years ended December 31,	
	2020	2019
Employee benefit expense		
Wages and salaries	\$ 2,896,523	\$ 2,781,103
Labour and health insurance fees	106,963	110,941
Pension costs	147,949	196,331
Other personnel expenses	250,868	324,254
Total (shown as 'Operating expenses')	<u>\$ 3,402,303</u>	<u>\$ 3,412,629</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$42,800 and \$29,300, respectively; while directors' remuneration was accrued at \$10,500 and \$10,500, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2020 and 2019. Employees' compensation and directors' remuneration for 2019 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2019. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- C. Employee benefit expense for the year ended December 31, 2020 decreased because the Group's mainland China subsidiaries were affected by the COVID-19 and were entitled to the reduction in social insurance in accordance with the No. 11 (2020) of the Ministry of Human Resources and Social Security, "Notice of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises".

(31) Income tax

A. Income tax expense

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the year	\$ 982,895	\$ 777,880
Tax on undistributed surplus earnings	2,831	63,772
Prior year income tax overestimation	( 1,218)	( 15,299)
Total current tax	<u>984,508</u>	<u>826,353</u>
Deferred tax:		
Origination and reversal of temporary differences	19,685	( 52,092)
Impact of change in tax rate	-	3,577
Total deferred tax	<u>19,685</u>	<u>( 48,515)</u>
Income tax expense	<u>\$ 1,004,193</u>	<u>\$ 777,838</u>

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

	Years ended December 31,	
	2020	2019
Remeasurements of defined benefit obligations	\$ 1,142	\$ 2,057
Currency translation differences	-	( 13,087)
	<u>\$ 1,142</u>	<u>( \$ 11,030)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 1,440,044	\$ 1,023,150
Effects from items disallowed by tax regulation	( 437,464)	( 283,505)
Additional tax on undistributed earnings	2,831	63,772
Prior year income tax overestimation	( 1,218)	( 15,299)
Others	-	( 10,280)
Income tax expense	<u>\$ 1,004,193</u>	<u>\$ 777,838</u>

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

Year ended December 31, 2020						
	January 1	Acquisition from business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:						
Allowance for sales returns and discounts	\$ 329,231	\$ -	\$ 95,356	\$ -	(\$ 1,986)	\$ 422,601
Allowance for doubtful accounts	87,052	-	( 34,547)	-	6	52,511
Reserve for inventory obsolescence and market price decline	198,941	-	15,328	-	-	214,269
Others	137,536	1,280	( 13,558)	4,287	624	130,169
	<u>\$ 752,760</u>	<u>\$ 1,280</u>	<u>\$ 62,579</u>	<u>\$ 4,287</u>	<u>(\$ 1,356)</u>	<u>\$ 819,550</u>
-Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 518,007)	\$ -	(\$ 81,642)	\$ -	\$ -	(\$ 599,649)
Others	( 1,562)	-	( 622)	( 3,145)	-	( 5,329)
	<u>(\$ 519,569)</u>	<u>\$ -</u>	<u>(\$ 82,264)</u>	<u>(\$ 3,145)</u>	<u>\$ -</u>	<u>(\$ 604,978)</u>
Year ended December 31, 2019						
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31	
-Deferred tax assets:						
Allowance for sales returns and discounts	\$ 299,800	\$ 29,431	\$ -	\$ -	\$	329,231
Allowance for doubtful accounts	120,674	( 32,207)	-	( 1,415)		87,052
Reserve for inventory obsolescence and market price decline	193,478	5,513	-	( 50)		198,941
Others	46,075	102,329	( 10,081)	( 787)		137,536
	<u>\$ 660,027</u>	<u>\$ 105,066</u>	<u>(\$ 10,081)</u>	<u>(\$ 2,252)</u>		<u>\$ 752,760</u>
-Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 451,828)	(\$ 66,179)	\$ -	\$ -		(\$ 518,007)
Others	( 13,818)	13,205	( 949)	-		( 1,562)
	<u>(\$ 465,646)</u>	<u>(\$ 52,974)</u>	<u>(\$ 949)</u>	<u>\$ -</u>		<u>(\$ 519,569)</u>

The information on deferred tax assets acquired through business combinations for the year ended December 31, 2020 is provided in Note 6(33).

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 16,622</u>	<u>\$ 16,622</u>

E. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2020 and 2019, the temporary differences of unrecognised deferred tax liabilities were \$3,593,406 and \$3,773,058, respectively.

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

(32) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 3,794,178</u>	<u>726,519</u>	<u>\$ 5.22</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	3,794,178	726,519	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	7,500	23,473	
Employees' compensation	<u>-</u>	<u>1,158</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,801,678</u>	<u>751,150</u>	<u>\$ 5.06</u>

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 2,530,940</u>	<u>585,359</u>	<u>\$ 4.32</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,530,940	585,359	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	8,882	21,354	
Employees' compensation	<u>-</u>	<u>871</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,539,822</u>	<u>607,584</u>	<u>\$ 4.18</u>

(33) Business combination

As of December 31, 2020 and 2019, the Group's mergers are as follows:

A. The Group acquired all the equity interest of Analog World Co., Ltd. ("AWC Company") and part of electronic component distribution business of Analog Tech Systems, Inc. ("ATS Company") and Analogtechsys Limited ("ATL Company").

(a) The Company and the Company's subsidiary, Morrihan International Corp., acquired all the equity interest of AWC Company in cash and part of the electronic component distribution business of ATS Company and ATL Company in the amount of \$397,230 (US\$13,539 thousand) and \$38,149 (US\$1,300 thousand) as resolved by the Board of Directors on July 2, 2020, respectively, and the effective date for the share conversion was set on October 5, 2020. AWC Company, ATS Company and ATL Company primarily engaged in the distribution and sale of various electronic components. The purpose of the combination is to improve and enhance the Company's ADI product line targeting the Korean market in order to increase the Group's operating performance.

(b) The following table summarises the consideration paid for AWC Company, ATS Company and ATL Company, and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>October 5, 2020</u>
Purchase consideration	
Cash paid	\$ 435,379
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	181,396
Accounts receivable	117,659
Inventories	52,610
Prepayments	1,040
Property, plant and equipment	2,100
Deferred tax assets	1,280
Other non-current assets	10,991
Accounts payable	( 43,695)
Other payables	( 15,400)
Current income tax liabilities	( 2,016)
Other current liabilities	( 2,038)
Total identifiable net assets	303,927
Fair value of the identifiable intangible assets acquired - customer	66,140
Goodwill	<u>\$ 65,312</u>

As of December 31, 2020, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

- (c) The operating revenue and profit before income tax included in the consolidated statement of comprehensive income since October 5, 2020 contributed by AWC Company was \$251,874 and \$4,490. Had AWC Company been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$353,887,965 and profit before income tax of \$4,822,937.
- B. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:
- (a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to \$15,396. The record date of the transfer was July 1, 2019.
- (b) Green Chips Co, Ltd. is a distributor of electronic components with the Korea region as its primary market.
- (c) Information on the acquisition of the distribution business is as follows:

	<u>July 1, 2019</u>
Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	( 5,381)
Goodwill	<u>\$ 10,015</u>



(34) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 106,153	\$ 125,817
Add: Opening balance of payable on equipment	4,879	13,396
Ending balance of prepayments for business facilities	-	1,609
Less: Ending balance of payable on equipment	( 3,456)	( 4,879)
Opening balance of prepayments for business facilities	( 1,609)	( 25,899)
Effect of foreign exchange	-	( 14)
Cash paid during the period	<u>\$ 105,967</u>	<u>\$ 110,030</u>

B. Cash paid for business combinations:

	Years ended December 31,	
	2020	2019
Current assets	\$ 352,705	\$ -
Property, plant and equipment	2,100	-
Goodwill	65,312	-
Acquired identifiable intangible assets	66,140	15,396
Other non-current assets	12,271	-
Other current liabilities	( 63,149)	-
Fair value of the assets and liabilities	435,379	15,396
Less: Cash received from business combinations	( 181,396)	-
Cash paid for business combinations	<u>\$ 253,983</u>	<u>\$ 15,396</u>

C. Financing activities with no cash flow effects

	December 31, 2020	December 31, 2019
Issuance of shares	\$ 6,624,000	\$ -
Acquisition of financial assets at fair value through other comprehensive income	( 6,624,000)	-
Conversion of bonds payable	257,948	338,263
Capital surplus of bonds payable conversion	496,449	720,614
Conversion of convertible bonds payable	( 754,397)	( 1,058,877)
Cash paid during the period	<u>\$ -</u>	<u>\$ -</u>

On April 21, 2020, the Company issued new shares to exchange shares with ASMedia Technology Inc. Please refer to Note 6(19) for more details.

(35) Changes in liabilities from financing activities

	Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2020	\$ 26,116,068	\$ 463,840	\$ 1,124,091	\$ 572,573	\$ 28,276,572
Changes in cash flow from financing activities	( 1,968,968)	277,458	-	( 167,446)	( 1,858,956)
Impact of changes in foreign exchange rate	( 32,645)	-	-	( 4,853)	( 37,498)
Interest expense from amortisation	-	6,345	7,500	-	13,845
Conversion of convertible bonds	-	-	( 754,397)	-	( 754,397)
Increase in lease liability for the year	-	-	-	99,648	99,648
At December 31, 2020	<u>\$ 24,114,455</u>	<u>\$ 747,643</u>	<u>\$ 377,194</u>	<u>\$ 499,922</u>	<u>\$ 25,739,214</u>
	Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	\$ 27,106,343	\$ 1,828,513	\$ 1,066,748	\$ -	\$ 30,001,604
Changes in cash flow from financing activities	( 876,741)	( 1,374,671)	1,145,100	( 156,509)	( 1,262,821)
Impact of changes in foreign exchange rate	( 113,534)	-	-	( 48,684)	( 162,218)
Interest expense from amortisation	-	9,998	8,882	-	18,880
Conversion of convertible bonds	-	-	( 1,058,877)	-	( 1,058,877)
Issuance of convertible bonds	-	-	( 37,762)	-	( 37,762)
IFRS 16 conversion recognition	-	-	-	682,856	682,856
Increase in lease liability for the year	-	-	-	94,910	94,910
At December 31, 2019	<u>\$ 26,116,068</u>	<u>\$ 463,840</u>	<u>\$ 1,124,091</u>	<u>\$ 572,573</u>	<u>\$ 28,276,572</u>

Note: Including long-term loans - current portion

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
JCD Optical Corporation Limited	Indirectly reinvested associate of the Company
JCD Optical Corporation	Indirectly reinvested associate of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company
BRILLNICS (HK) LIMITED	Indirectly reinvested associate of the Company
WPG Holding Co., Ltd. and Subsidiaries (Note 1)	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries (Note 2)	Entity with significant influence over the Group

Note 1: On January 30, 2020, WPG Holdings Limited acquired 177,110,000 shares of the Company and became the related party who has significant influence over the Group.

Note 2: On April 21, 2020, ASUSTeK Computer Inc.'s subsidiary, ASMedia Technology Inc., became a related party with significant influence over the Group by exchanging shares with the Company and acquiring 171,000 thousand shares of the Company.

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
- Entity with significant influence over the Group	\$ 1,727,803	\$ -
- Associates	1,523	1,662
	<u>\$ 1,729,326</u>	<u>\$ 1,662</u>

The collection terms with related parties were 45 to 120 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

#### B. Purchases

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
- Entity with significant influence over the Group	\$ 819,551	\$ -
- Associates	30,660	45,461
	<u>\$ 850,211</u>	<u>\$ 45,461</u>

The credit term to related parties is 30 to 45 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
- Entity with significant influence over the Group	\$ 193,079	\$ -
- Associates	723	1,095
	<u>\$ 193,802</u>	<u>\$ 1,095</u>

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
- Entity with significant influence over the Group	\$ 75,937	\$ -
- Associates	2,139	4,082
	<u>\$ 78,076</u>	<u>\$ 4,082</u>

E. Loans to others

Loans to related parties:

(a) Outstanding balance (shown as 'other receivables'):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
- Associate		
BRILLNICS (HK) LIMITED	\$ -	\$ 150,100

For the years ended December 31, 2020 and 2019, the interest rate were 0.8%~2.1% and 2.6% for the abovementioned loans to related parties, respectively. Please refer to table 1 for details of loans to subsidiaries.

(b) Interest income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
- Associate	\$ 3,994	\$ 4,086

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 87,376	\$ 75,756
Post-employment benefits	499	269
	<u>\$ 87,875</u>	<u>\$ 76,025</u>

## 8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

Pledged asset	Purpose	Book value	
		December 31, 2020	December 31, 2019
Other current assets:			
Bank deposits	Bid bond	\$ 2,763	\$ 2,912

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

### COMMITMENTS

#### (1) Contingencies

None.

#### (2) Commitments

##### A. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	December 31, 2020	December 31, 2019
Outstanding letters of credit	\$ 8,096,213	\$ 5,887,913

##### B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	December 31, 2020	December 31, 2019
Customs duties guarantee	\$ 41,000	\$ 36,000

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On January 5, 2021, the Board of Directors resolved to issue 12,000 units of employee stock options. Each unit allows employees to purchase 1 thousand common shares of the Company. Consequently, the Company has to issue common shares totalling 12 million shares due to the exercise of stock options. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2020 and 2019, the Group's strategy was to maintain the financial debt ratio below 250%.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (Note 3)	\$ 128,181	\$ -
Financial assets at fair value through other comprehensive income (Note 1)	29,487,558	15,716,615
Financial assets at amortised cost (Note 2)	<u>51,386,108</u>	<u>34,615,901</u>
	<u>\$ 81,001,847</u>	<u>\$ 50,332,516</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (Note 3)	\$ -	\$ 26,118
Financial liabilities at amortised cost (Note 4)	<u>81,912,793</u>	<u>75,210,425</u>
	<u>\$ 81,912,793</u>	<u>\$ 75,236,543</u>
Lease liability	<u>\$ 499,922</u>	<u>\$ 572,573</u>

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

## B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(2).

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 2,419,167	28.480	\$ 68,897,876	1%	\$ 688,979
USD:RMB	534	6.5351	15,208	1%	152
USD:KRW	15,112	1,093.2	430,390	1%	4,304
<u>Non-monetary items</u>					
USD:NTD	15,612	28.480	444,620		
<u>Foreign operations</u>					
USD:NTD	411,874	28.480	11,717,189		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,643,970	28.480	75,300,266	1%	753,003
USD:RMB	91,026	6.5351	2,592,420	1%	25,924
USD:KRW	11,715	1,093.2	333,643	1%	3,336
December 31, 2019					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,492,889	30.020	\$ 44,816,528	1%	\$ 448,165
USD:RMB	2,817	6.988	84,566	1%	846
USD:KRW	15,044	1,160.9	451,621	1%	4,516
<u>Non-monetary items</u>					
USD:NTD	14,485	30.020	450,033		
<u>Foreign operations</u>					
USD:NTD	371,464	30.020	11,140,819		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,658,340	30.020	49,783,367	1%	497,834
USD:RMB	55,531	6.988	1,667,041	1%	16,670
USD:KRW	30,354	1,160.9	911,227	1%	9,112



- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$381,181 and \$73,043, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, beneficiary certificates and bonds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,282 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$151,994 and \$6,706, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have decreased/increased by \$60,147 and \$68,774, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

#### **(b) Credit risk**

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Group is responsible for managing and analysing

the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2020	December 31, 2019
Not past due	\$ 58,328,103	\$ 38,307,182
Up to 90 days	2,622,629	6,286,811
91 to 180 days	15,279	127,451
Over 180 days	589,626	1,200,262
	<u>\$ 61,555,637</u>	<u>\$ 45,921,706</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Group assesses the expected credit losses of its accounts receivable as follows:
  - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
  - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
  - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
  - (iv) As of December 31, 2020 and 2019, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

December 31, 2020	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	97.29%	0.03%	0.14%~49.58%	3.37%~29.89%	
Total book value	<u>\$ 590,297</u>	<u>\$39,190,397</u>	<u>\$20,354,263</u>	<u>\$ 1,420,680</u>	<u>\$61,555,637</u>
Loss allowance	<u>\$ 574,301</u>	<u>\$ 11,757</u>	<u>\$ 71,481</u>	<u>\$ 47,806</u>	<u>\$ 705,345</u>

<u>December 31, 2019</u>	<u>Individual</u>	<u>Group A &amp; B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	96.46%	0.03%	0.07%~30.66%	2.37%~28.83%	
Total book value	<u>\$ 1,164,498</u>	<u>\$25,130,125</u>	<u>\$17,710,013</u>	<u>\$ 1,917,070</u>	<u>\$45,921,706</u>
Loss allowance	<u>\$ 1,123,235</u>	<u>\$ 7,539</u>	<u>\$ 46,626</u>	<u>\$ 78,798</u>	<u>\$ 1,256,198</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
At January 1	\$ 1,256,198	\$ 1,283,005
Provision for impairment	24,170	2,501
Write-off	( 555,281)	-
Effect of exchange rate changes	( 19,742)	( 29,308)
At December 31	<u>\$ 705,345</u>	<u>\$ 1,256,198</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(16)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Lease liability	\$ 184,803	\$ 294,799	\$ 58,364	\$ 537,966
Bonds payable	-	384,100	-	384,100
	<u>\$ 184,803</u>	<u>\$ 678,899</u>	<u>\$ 58,364</u>	<u>\$ 922,066</u>

December 31, 2019

Lease liability	\$ 161,486	\$ 362,161	\$ 99,893	\$ 623,540
Bonds payable	-	1,158,600	-	1,158,600
	<u>\$ 161,486</u>	<u>\$ 1,520,761</u>	<u>\$ 99,893</u>	<u>\$ 1,782,140</u>

Except for the abovementioned, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2020 and 2019, all derivative financial liabilities of the Group are due in one year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in level 2.

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

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

- C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.
- D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:
- (a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 13,135	\$ -	\$114,697	\$ 127,832
Overseas bonds	349	-	-	349
Financial assets at fair value through other comprehensive income				
Equity securities	15,115,709	-	83,683	15,199,392
Accounts receivable that are expected to be factored	-	14,288,166	-	14,288,166
	<u>\$15,129,193</u>	<u>\$14,288,166</u>	<u>\$198,380</u>	<u>\$ 29,615,739</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 614,602	\$ -	\$ 55,983	\$ 670,585
Accounts receivable that are expected to be factored	-	15,046,030	-	15,046,030
	<u>\$ 614,602</u>	<u>\$15,046,030</u>	<u>\$ 55,983</u>	<u>\$ 15,716,615</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	\$ -	\$ 26,118	\$ -	\$ 26,118

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Net asset value	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

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

	Equity securities and beneficiary certificates	
	2020	2019
At January 1	\$ 55,983	\$ 39,858
Gains and losses recognised in profit or loss (	783)	-
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	- (	3,167)
Acquired in the year	146,333	20,000
Sold in the year	- (	14)
Effect of exchange rate changes	( 3,153)	( 694)
At December 31	<u>\$ 198,380</u>	<u>\$ 55,983</u>

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

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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 5,963	Market comparable companies	Price to earnings ratio multiple	1.32 ~2.69 (2.13)	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
	28,480	Discounted cash flow method	Weighted average cost of capital	8.22% ~12.51%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
			Discount for lack of control	10%	
			Discount for lack of marketability	5%~8%	
			Long-term revenue growth rate	6.1% ~219.3%	
	14,240	Most recent non-active market price	Not applicable	-	Not applicable

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Venture capital shares	35,000	Net asset value	Not applicable	-	Not applicable
Private equity fund	114,697	Most recent non- active market price	Not applicable	-	Not applicable
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 55,983	Discounted cash flow method	Weighted average cost of capital Discount for lack of control  Discount for lack of marketability  Long-term revenue growth rate	8.22% ~12.51% 10%  5%~8%  6.1% ~219.3%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.



(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2020	2019
Revenue from external customers	\$ 329,799,439	\$ 314,746,393
Segment income	\$ 4,571,480	\$ 3,307,785
Segment assets (Note)	\$ -	\$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

Operating revenue	Years ended December 31,	
	2020	2019
Total reported segment revenue	\$ 329,799,439	\$ 314,746,393
Other operating segment revenue	23,252,756	20,440,758
Total operating revenue	<u>\$ 353,052,195</u>	<u>\$ 335,187,151</u>

Profit and loss	Years ended December 31,	
	2020	2019
Income of reported segment	\$ 4,571,480	\$ 3,307,785
Income of other operating segments	227,289	1,300
Income before income tax from continuing operations	<u>\$ 4,798,769</u>	<u>\$ 3,309,085</u>

(4) Revenue information by category

	2020		2019	
	Amount	%	Amount	%
Analog IC	\$ 152,587,261	43	\$ 147,114,736	44
Microcontroller	27,276,279	8	25,453,854	7
IC Memory	26,633,620	8	22,462,363	7
Discrete Devices	25,458,918	7	15,482,514	5
Microprocessor	22,197,989	6	15,639,322	5
Mixed-Signal IC	15,670,128	5	7,880,944	2
Application-Specific IC	14,893,001	4	25,690,676	8
Others	68,434,999	19	75,462,742	22
	<u>\$ 353,152,195</u>	<u>100</u>	<u>\$ 335,187,151</u>	<u>100</u>

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2020 and 2019 were as follows:

	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 54,609,721	\$ 2,594,707	\$ 53,772,373	\$ 2,373,684
China	232,141,104	955,533	246,354,535	981,869
Others	66,401,370	870,889	35,060,243	558,475
	<u>\$ 353,152,195</u>	<u>\$ 4,421,129</u>	<u>\$ 335,187,151</u>	<u>\$ 3,914,028</u>

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

	Years ended December 31,	
	2020	2019
Customer A	\$ 52,419,352	\$ 44,784,697

WT Microelectronics Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 866,580	\$ -	\$ -	1.2%	Short-term financing	\$ -	Business Operation	\$ -	-	\$ -	\$ 4,607,802	\$ 18,431,207	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	90,750	85,440	85,440	2.3%	Short-term financing	-	Business Operation	-	-	-	104,946	104,946	Note 2
2	LACEWOOD INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	203,840	199,360	199,360	0.8%	Short-term financing	-	Business Operation	-	-	-	531,003	531,003	Note 2
3	WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	463,519	-	-	0.8%	Short-term financing	-	Business Operation	-	-	-	2,825,874	3,767,832	Note 4
3	WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,135,680	740,480	441,440	0.80%	Short-term financing	-	Business Operation	-	-	-	9,419,580	9,419,580	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	293,522	281,952	281,952	1.30%	Short-term financing	-	Business Operation	-	-	-	522,117	522,117	Note 2
5	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	84,728	79,744	79,744	1.4%	Short-term financing	-	Business Operation	-	-	-	88,393	88,393	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2020	Outstanding endorsement / guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarante e amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser / guarantor (Note 2)											
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 36,862,414	\$ 350,000	\$ 350,000	\$ 350,000	-	0.76%	\$ 36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	36,862,414	12,000	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	36,862,414	151,300	142,400	41,250	-	0.31%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	36,862,414	1,200,800	1,139,200	-	-	2.47%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	36,862,414	2,118,200	1,424,000	1,424,000	-	3.09%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	36,862,414	63,546	59,808	28,303	-	0.13%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	36,862,414	1,513	1,424	87	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	36,862,414	302,600	284,800	-	-	0.62%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	36,862,414	242,080	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	36,862,414	4,226,240	4,006,410	1,656,040	-	8.69%	36,862,414	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	36,862,414	1,469,719	1,442,060	522,960	-	3.13%	36,862,414	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	36,862,414	181,560	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	36,862,414	1,383,200	1,352,800	1,344,252	-	2.94%	36,862,414	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,101,255	2,000	2,000	2,000	-	0.15%	1,101,255	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	3,175,414	25,000	25,000	25,000	-	0.63%	3,175,414	N	N	N	Note 4
3	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,392,676	151,300	-	-	-	0.00%	1,392,676	N	N	N	
3	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,392,676	9,500	6,000	6,000	-	0.34%	1,392,676	N	N	N	Note 4
4	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	274,457	9,500	8,000	8,000	-	2.33%	274,457	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor’s net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company’s net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries  
Holding of marketable securities (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.24	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.73	-	
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	14,130,000	13.00	14,130,000	
WT MICROELECTRONICS CO., LTD.	Common stock	SINO-AMERICAN SILICON PRODUCTS INC.	None	2	403,000	71,533	0.07	71,533	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	35,000	9.62	35,000	
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL NEXGEN COMMUNICATION INNOVATIVE TECHNOLOGY ETF	None	3	500,000	13,135	-	13,135	
WT MICROELECTRONICS CO., LTD.	Private equity	FUH HWA ENERGY - EFFICIENT FUND	None	4	8,700,000	86,217	24.79	86,217	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	529,370	24,880	0.26	24,880	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	142,664	373,071	0.41	373,071	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	28,480	0.83	28,480	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AVIVA TECHNOLOGY HOLDING	None	2	-	14,240	-	14,240	
WINTech MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	349	-	349	
WINTech MICROELECTRONICS HOLDING LTD.	Private equity	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	28,480	-	28,480	
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	57,785	2.28	57,785	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	365,003	1.78	365,003	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	93,437	0.46	93,437	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current  
2- Financial assets at fair value through other comprehensive income - non-current  
3- Financial assets at fair value through profit or loss - current  
4- Financial assets at fair value through profit or loss - non-current

WT Microelectronics Co., Ltd. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Balance as at January 1, 2020 (Note 1)		Addition		Disposal			Balance as at December 31, 2020 (Note 2)			
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the counterparty	No. of shares	Amount	No. of shares	Amount	No. of shares	Selling price	Book value	Gain (loss) on disposal	No. of shares	Amount
WT MICROELECTRONICS CO., LTD.	ASMEDIA TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	9,000,000	\$ 6,624,000	-	-	-	-	9,000,000	\$ 14,130,000

Note 1 : The balance as at January 1, 2020, addition amount, and the balance as at December 31, 2020 are presented in initial investment amount.

Note 2 : The balance as at December 31, 2020 includes the unrealised gain (loss) from financial assets measured at fair value.

WT Microelectronics Co., Ltd. and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,698,499	29	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 18,487,732	43	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	24,213,440	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,347,791	3	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	8,609,188	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	390,884	1	
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	8,560,529	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,099,967	3	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,094,577	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,172,987	3	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	3,754,454	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	402,828	1	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,511,492	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	35,828	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,038,175	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	569,829	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	255,954	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	172,983	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,305,528	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	3,293,253	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 551,840)	1	



			Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	\$ 1,484,657	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(\$ 93,945)	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,458,079	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 31,054)	-	
WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	140,291	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 37,730)	-	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,220,553	20	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	259,082	8	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,192,027	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	794,085	24	
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,604,593	10	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	487,306	15	
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	9,991,370	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,601,771	8	
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	808,036	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	418,710	2	
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	488,260	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	28,332	-	
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	487,740	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	182,407	1	
MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	291,945	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	88,563	-	
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	176,446	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	4,603	-	
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	152,658	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	98,750	1	
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	127,748	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 409)	-	
MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	111,047	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 27,784)	-	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	409,081	7	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	273,422	18	
TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	188,324	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	81,067	5	

							Differences in transaction terms compared to third				
							party transactions		Notes/accounts receivable (payable)		
		Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Purchaser/seller	Counterparty										
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	\$ 1,593,946	36	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	78,382	11	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	6,635,233	70	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,648,463	66	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,782,666	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	837,579	34	

WT Microelectronics Co., Ltd. and subsidiaries  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 18,487,732	12.61	\$ -		\$ 3,548,422	\$ -
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	1,347,791	27.29	-		354,644	-
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	1,099,967	23.27	-		176,596	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	1,172,987	7.62	-		412,221	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	402,828	16.10	-		152,738	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	390,884	13.28	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	794,085	6.76	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	551,840	15.45	-		-	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	487,306	7.71	-		-	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	259,082	32.64	-		-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	1,601,771	18.45	-		-	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	418,710	6.71	-		-	-
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	182,407	6.98	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	273,422	1.82	-		199,551	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,648,463	8.21	-		179,032	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	837,579	12.75	-		-	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,698,499	(Note 3)	24
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts receivable	18,487,732	(Note 3)	14
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	24,213,440	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	1,347,791	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	8,609,188	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	390,884	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	8,560,529	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Accounts receivable	1,099,967	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,094,577	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	1,172,987	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	3,754,454	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	402,828	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,511,492	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,038,175	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	569,829	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	255,954	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	172,983	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,305,528	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	3,293,253	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	551,840	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,458,079	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,484,657	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	140,291	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,220,553	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	259,082	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,192,027	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	794,085	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,604,593	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	487,306	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	9,991,370	(Note 3)	3
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	1,601,771	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	808,036	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	418,710	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	487,740	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Accounts receivable	182,407	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	488,260	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	291,945	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	176,446	(Note 3)	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	\$ 152,658	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	127,748	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	111,047	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	409,081	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	273,422	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	188,324	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,593,946	(Note 3)	-
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	6,635,233	(Note 3)	2
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	1,648,463	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,782,666	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	837,579	(Note 3)	1

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries  
Names, locations and other information of investee companies (not including investees in Mainland China)  
Year ended December 31, 2020

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,372,697	\$ 539,579	\$ 539,579	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,945,813	182,302	182,302	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,969,208	943,132	943,132	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	739,511	26,822	26,822	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	915,805	442,493	442,095	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	-	41,856	-	-	- (	50) (	50)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	78,993	5,873	5,873	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	-	-	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	209,520 (	228) (	228)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,987,146	32,386	32,386	Subsidiary
WT MICROELECTRONICS CO., LTD.	ANALOG WORLD CO., LTD.	South Korea	Sale of electronic components	397,230	-	120,000	100.00	411,719	23,932	3,311	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,775,230	1,775,230	62,332,506	100.00	3,852,509	466,854	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	WINTech INVESTMENT CO., LTD.	Belize	General investment	598,677	598,677	21,020,957	100.00	1,091,738 (	687)	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Belize	Sale of electronic components	85,443	85,443	3,000,100	100.00	59,133 (	12,429)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	\$ 142	\$ 142	5,000	100.00	\$ 5	\$ -	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	142,400	142,400	5,000,000	100.00	2,025,745	295	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	67,609	67,609	5,869,093	23.07	37,830	( 83,542)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	-	521,526	-	0.00	-	( 84,227)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	34,176	34,176	1,200,000	17.65	21,616	( 3,429)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	28,480	28,480	18,924	24.65	27,938	( 2,488)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS INC.	Cayman Islands	Sale of electronic components	814,870	-	32,083,666	54.15	44,334	( 239,199)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	356,787	356,787	12,527,632	100.00	2,077,484	270,651	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	8,857	8,857	311,000	100.00	34,602	( 1,775)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	654,312	654,312	22,974,430	100.00	772,992	53,336	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,673	3,673	1,000,000	100.00	104,946	1,918	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	758,643	758,643	110,000,000	100.00	862,481	142,736	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	32,265	32,265	1,500,000	100.00	258,389	3,296	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	\$ 3,528	\$ 3,528	500,000	100.00	\$ 2,863	(\$ 717)	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	518,533	518,533	3,800,000	95.47	829,781	9,429	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	2,849	2,849	300,000	100.00	2,058	( 919)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	2,780	2,780	700,000	100.00	3,937	1,058	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTech MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	539,579	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	-	1,367	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,286	( 936)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	49,399	49,399	180,472	4.53	26,557	9,429	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	22,337	22,337	53,505	100.00	206,758	20,274	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	344,568	112,644	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	29	236	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	343,071	72,833	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	531,003	295	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	5,701	19,954	6,000	100.00	16,974	( 61)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components, IC design	40,000	40,000	4,000,000	40.00	35,521	718	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	22,038	22,038	6,000,000	100.00	16,974	( 6)	Note 1	Subsidiary
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	BRILLNICS (HK) LIMITED	Hong Kong	Manufacture of electronic components	1,509,810	1,509,810	53,013,000	100.00	101,599	( 224,644)	Note 1	Subsidiary



Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
BRILLNICS INC.	BRILLNICS SINGAPORE PTE. LTD.	Singapore	Manufacture of electronic components	\$ -	\$ -	2	100.00	\$ -	(\$ 1,560)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS JAPAN INC.	Japan	Manufacture of electronic components	27,557	27,557	100,000	100.00	13,442	( 22,060)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS (TAIWAN) INC.	Taiwan	Manufacture of electronic components	11,937	11,937	1,193,710	100.00	18,937	5,160	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to	Footnote
				Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	of December 31, 2020					Taiwan as of December 31, 2020	
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 8,544	2	\$ 8,544	\$ -	\$ -	\$ 8,544	(\$ 1,774)	100.00	(\$ 1,774)	\$ 34,528	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	653,794	2	598,984	-	-	598,984	53,334	100.00	53,334	772,893	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,001,072	2	545,392	-	-	545,392	118,517	100.00	118,517	1,220,364	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	37,878	3	28,480	-	-	28,480	( 936)	100.00	( 936)	44,278	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	145,248	2	18,911	-	-	18,911	( 63,980)	23.07	( 14,760)	3,381	-	Note 8
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
WT MICROELECTRONICS CO., LTD.	\$ 1,200,311	\$ 1,878,745	\$ 27,669,829										

Note 1: The investment methods are classified into the following three categories:  
(1) Directly investing in Mainland China.  
(2) Through investing in companies in the third area, which then invested in the investee in Mainland China.  
(3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

WT Microelectronics Co., Ltd. and subsidiaries  
Major shareholders information  
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
WPG HOLDING CO., LTD.	201,393,867	21.81%
ASMEDIA TECHNOLOGY INC.	179,000,000	19.38%
SHAO YANG INVESTMENT CO., LTD.	69,740,426	7.55%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of December 31, 2020, the number of shares held by the chairman under his own name and under the names of others was 111,671,962 shares, and the shareholding ratio was 12.1%.  
The abovementioned information is provided in the "Market Observation Post System".

V. Financial statements of the parent company for the most recent year audited by the CPA

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

***Opinion***

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

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

***Basis for opinion***

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

***Key audit matters***

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

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

### **Recognition of supplier rebates**

#### Description

Refer to Note 4(11) for accounting policies on supplier rebates.

The Company is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Company has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. Under the arrangement, the Company calculates the amount of supplier rebates based on sales details, and recognises it as a deduction of accounts payable to suppliers and a deduction of operating costs. The Company pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Company relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the parent company only financial statements, and requires more audit effort to address this audit matter, as well as the fact that the aforementioned matter also affects the Company's subsidiaries (recognised as investments accounted for using equity method), the recognition of supplier rebate has been identified as a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Performed analysis on the ratio of supplier rebates of main inventory items to corresponding total sales amount, and compared with historical data in order to assess its reasonableness;
- C. Sampled supplier rebates and tested transaction data to confirm whether the transaction quantities were consistent with sales details. Also, verified arrangements and calculation worksheets, and recalculated supplier rebates to ensure that the rebate recognition was correct;



- D. Sampled the supplier rebates which were recognised before the balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- E. Performed confirmation of selected material accounts payable, including supplier rebates which has been confirmed by suppliers, and examined the reconciliation for the differences between the amount stated in the suppliers' confirmation and the Company's records.

### **Impairment assessment of investments accounted for using equity method and goodwill**

#### Description

Refer to Notes 4(12) and 4(16) for accounting policies on investments accounted for using equity method and goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Notes 6(7) and 6(10) for details of investments accounted for using equity method and goodwill impairment.

The Company and its subsidiaries (the "Group") acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Investments accounted for using equity method" and "Intangible assets - goodwill". As at December 31, 2020, the goodwill of the Group and the Company amounted to NT\$1,826,278 thousand and NT\$179,304 thousand, respectively. For the year ended December 31, 2020, the Group and the Company recognised impairment loss of goodwill amounting to NT\$46,013 thousand and NT\$46,013 thousand, respectively.

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group used the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assessed whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the

recoverable amount of investments accounted for using equity method and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

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

- A. Obtained an understanding and assessed management's assessment process of each cash generating unit and examined whether the adopted future cash flows are consistent with the budget provided by the operating segment;
- B. As the recoverable amount was determined based on value-in-use, ascertained reasonableness of estimated growth rate, discount rate and other significant assumptions and performed the following:
  - (a) Compared the reasonableness of estimated growth rate with historical data and our knowledge of the business and industry;
  - (b) Evaluated the parameters of discount rate, including risk-free interest rate, industry's risk coefficient, returns on similar assets in the market, and proportion of equity capital; and
  - (c) Checked the parameters of valuation model and the setting of calculation formula.
- C. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.
- D. Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed whether management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

**Assessment of inventory valuation losses**

Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory valuation. As at December 31, 2020, the Company's inventories and allowances for inventory valuation losses were NT\$30,941,748 thousand and NT\$679,711 thousand, respectively.

The Company is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around the balance sheet date. The net realisable values of obsolete inventories are individually identified



as obsolete or damaged, if any. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable values of each type of inventories are many, and the identification of obsolete and damaged inventory and its net realisable value is subject to management's judgement, as well as the fact that the aforementioned matter also affects the Company's subsidiaries (recognised as investments accounted for using equity method), we consider the assessment of inventory valuation losses a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry in order to assess whether the provision policies and procedures were applied consistently and reasonably during the periods, including the classification of each inventory and identified as obsolete with supporting documents, and agreed to information obtained from physical inventory; and
- C. Obtained the net realisable value statement of each inventory, and tested supporting documents in relation to sources of information in calculating the net realisable value.

#### ***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 generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.

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

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Juanlu, Man-Yu

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Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2021

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

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



WT MICROELECTRONICS CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	774,053	1	\$	490,983	-
1110	Financial assets at fair value through profit or loss - current	6(2)		13,135	-		-	
1170	Accounts receivable, net	6(4)		20,176,767	18		15,198,835	18
1180	Accounts receivable, net - related parties	7		23,130,544	21		15,161,405	18
1200	Other receivables	6(4)(5)		499,569	1		581,902	1
130X	Inventories	6(6)		30,262,037	27		33,403,502	39
1410	Prepayments			412,341	-		211,848	-
11XX	Total current assets			75,268,446	68		65,048,475	76
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)		86,217	-		-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		14,245,527	13		28,994	-
1550	Investments accounted for using equity method	6(7)		19,675,231	18		18,534,802	22
1600	Property, plant and equipment	6(8)		442,017	-		487,709	1
1755	Right-of-use assets	6(9)		236,123	-		278,288	-
1780	Intangible assets	6(10)		202,243	-		254,427	-
1840	Deferred income tax assets	6(29)		473,931	1		431,904	1
1900	Other non-current assets			79,688	-		96,394	-
15XX	Total non-current assets			35,440,977	32		20,112,518	24
1XXX	Total assets		\$	110,709,423	100	\$	85,160,993	100

(Continued)

**WT MICROELECTRONICS CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 15,938,058	15	\$ 18,348,337	22
2110	Short-term notes and bills payable	6(12)	649,675	1	398,953	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	25,841	-
2130	Contract liabilities - current	6(22) and 7	146,174	-	92,506	-
2170	Accounts payable		43,446,260	39	38,162,139	45
2180	Accounts payable - related parties	7	826,651	1	858,561	1
2200	Other payables	6(13)	1,160,320	1	1,158,740	1
2220	Other payables - related parties	7	3,966	-	6,136	-
2230	Current income tax liabilities		297,672	-	288,187	-
2280	Lease liabilities - current		101,122	-	86,764	-
2320	Long-term liabilities, current portion	6(15)	-	-	120,080	-
2365	Refund liabilities - current	6(22)	203,287	-	368,473	-
2399	Other current liabilities		15,158	-	6,087	-
21XX	Total current liabilities		62,788,343	57	59,920,804	70
Non-current liabilities						
2530	Bonds payable	6(14)	377,194	-	1,124,091	1
2540	Long-term loans	6(15)	800,000	1	-	-
2570	Deferred income tax liabilities	6(29)	482,043	-	418,929	1
2580	Lease liabilities - non-current		139,564	-	194,466	-
2600	Other non-current liabilities	6(16)	44,262	-	24,309	-
25XX	Total non-current liabilities		1,843,063	1	1,761,795	2
2XXX	Total liabilities		64,631,406	58	61,682,599	72
Equity						
	Share capital	6(18)				
3110	Common stock		7,880,260	7	5,903,358	7
3120	Preference stock		1,350,000	1	-	-
3130	Certificates of entitlement to new shares from convertible bonds		2,057	-	11,011	-
	Capital surplus	6(19)				
3200	Capital surplus		20,094,981	18	9,531,836	11
	Retained earnings	6(20)				
3310	Legal reserve		2,280,822	2	2,019,788	2
3320	Special reserve		791,142	1	143,568	-
3350	Unappropriated retained earnings		8,070,791	7	6,659,975	8
	Other equity interest	6(21)				
3400	Other equity interest		5,607,964	6	( 791,142)	-
3XXX	Total equity		46,078,017	42	23,478,394	28
	Commitments and contingent liabilities	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 110,709,423	100	\$ 85,160,993	100

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

**WT MICROELECTRONICS CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	\$ 288,646,964	100	\$ 273,996,730	100
5000	Operating costs	6(6) and 7	( 283,523,398)	( 98)	( 269,252,304)	( 98)
5900	Net operating margin		<u>5,123,566</u>	<u>2</u>	<u>4,744,426</u>	<u>2</u>
	Operating expenses	6(27) and 7				
6100	Selling expenses		( 1,989,616)	( 1)	( 1,691,857)	( 1)
6200	General and administrative expenses		( 524,655)	-	( 486,028)	-
6300	Research and development expenses		( 274,328)	-	( 228,388)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	( 49,439)	-	( 29,719)	-
6000	Total operating expenses		( 2,838,038)	( 1)	( 2,435,992)	( 1)
6900	Operating profit		<u>2,285,528</u>	<u>1</u>	<u>2,308,434</u>	<u>1</u>
	Non-operating income and expenses					
7100	Interest income	6(23)	3,117	-	8,581	-
7010	Other income	6(24)	128,701	-	4,582	-
7020	Other gains and losses	6(25)	244,114	-	117,708	-
7050	Finance costs	6(26)	( 619,453)	-	( 1,260,032)	( 1)
7070	Share of profit of associates and joint ventures accounted for using equity method		<u>2,175,222</u>	<u>1</u>	<u>1,703,123</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>1,931,701</u>	<u>1</u>	<u>573,962</u>	-
7900	Profit before income tax		<u>4,217,229</u>	<u>2</u>	<u>2,882,396</u>	<u>1</u>
7950	Income tax expense	6(29)	( 423,051)	-	( 351,456)	-
8200	Profit for the year		<u>\$ 3,794,178</u>	<u>2</u>	<u>\$ 2,530,940</u>	<u>1</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	( \$ 21,654)	-	( \$ 9,881)	-
8316	Unrealised gain (loss) on valuation of equity instruments measured at fair value through other comprehensive income	6(21)	7,511,803	3	( 3,167)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(30)	515,295	-	210,594	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	<u>4,331</u>	-	<u>1,976</u>	-
8310	Other comprehensive income that will not be reclassified to profit or loss		<u>8,009,775</u>	<u>3</u>	<u>199,522</u>	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)	( 1,351,264)	( 1)	( 501,673)	-
8380	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method	6(30)	( 89,048)	-	( 266,021)	-
8360	Other comprehensive income loss that will be reclassified to profit or loss		( 1,440,312)	( 1)	( 767,694)	-
8300	Total other comprehensive income (loss) for the year		<u>\$ 6,569,463</u>	<u>2</u>	<u>( \$ 568,172)</u>	-
8500	Total comprehensive income for the year		<u>\$ 10,363,641</u>	<u>4</u>	<u>\$ 1,962,768</u>	<u>1</u>
	Earnings per share (in dollars)	6(31)				
9750	Basic earnings per share		<u>\$ 5.22</u>		<u>\$ 4.32</u>	
9850	Diluted earnings per share		<u>\$ 5.06</u>		<u>\$ 4.18</u>	

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

WT MICROELECTRONICS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Share Capital			Retained Earnings			Other Equity Interest			
	Notes	Share capital - common stock	Preference share	Certificates of bond-to-stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>2019</u>											
Balance at January 1, 2019		\$ 5,551,889	\$ -	\$ 24,217	\$ 8,773,382	\$ 1,741,965	\$ 109,102	\$ 5,749,889	(\$ 392,100)	\$ 248,532	\$ 21,806,876
Profit for the year		-	-	-	-	-	-	2,530,940	-	-	2,530,940
Other comprehensive income (loss)	6(21)	-	-	-	-	-	-	( 8,229 )	( 767,694 )	207,751	( 568,172 )
Total comprehensive income (loss)		-	-	-	-	-	-	2,522,711	( 767,694 )	207,751	1,962,768
Appropriations of 2018 earnings:	6(20)										
Legal reserve		-	-	-	-	277,823	-	( 277,823 )	-	-	-
Special reserve		-	-	-	-	-	34,466	( 34,466 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,387,967 )	-	-	( 1,387,967 )
Due to recognition of equity component of convertible bonds issued	6(19)	-	-	-	37,762	-	-	-	-	-	37,762
Conversion of convertible bonds	6(18)(19)	351,469	-	( 13,206 )	720,614	-	-	-	-	-	1,058,877
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	-	-	87,631	-	( 87,631 )	-
Changes in ownership interests in subsidiaries	6(19)	-	-	-	78	-	-	-	-	-	78
Balance at December 31, 2019		\$ 5,903,358	\$ -	\$ 11,011	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 1,159,794)	\$ 368,652	\$ 23,478,394
<u>2020</u>											
Balance at January 1, 2020		\$ 5,903,358	\$ -	\$ 11,011	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 1,159,794)	\$ 368,652	\$ 23,478,394
Profit for the year		-	-	-	-	-	-	3,794,178	-	-	3,794,178
Other comprehensive income (loss)	6(21)	-	-	-	-	-	-	( 4,565 )	( 1,440,312 )	8,014,340	6,569,463
Total comprehensive income (loss)		-	-	-	-	-	-	3,789,613	( 1,440,312 )	8,014,340	10,363,641
Appropriations of 2019 earnings:	6(20)										
Legal reserve		-	-	-	-	261,034	-	( 261,034 )	-	-	-
Special reserve		-	-	-	-	-	647,574	( 647,574 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,645,111 )	-	-	( 1,645,111 )
Issuance of shares	6(18)	1,710,000	-	-	4,914,000	-	-	-	-	-	6,624,000
Issuance of preference shares	6(18)	-	1,350,000	-	5,400,000	-	-	-	-	-	6,750,000
Compensation cost of share-based payments	6(17)	-	-	-	1,706	-	-	-	-	-	1,706
Conversion of convertible bonds	6(18)(19)	266,902	-	( 8,954 )	496,449	-	-	-	-	-	754,397
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	-	-	174,922	-	( 174,922 )	-
Reorganization		-	-	-	( 249,010 )	-	-	-	-	-	( 249,010 )
Balance at December 31, 2020		\$ 7,880,260	\$ 1,350,000	\$ 2,057	\$ 20,094,981	\$ 2,280,822	\$ 791,142	\$ 8,070,791	(\$ 2,600,106)	\$ 8,208,070	\$ 46,078,017

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

WT MICROELECTRONICS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,217,229	\$ 2,882,396
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	179,099	173,891
Amortization	6(27)	11,179	8,860
Impairment loss determined in accordance with IFRS 9	12(2)	49,439	29,719
Impairment loss	6(25)	46,013	3,811
Net loss on financial assets and liabilities at fair value through profit or loss	6(25)	50,622	10,406
Share-based payments	6(17)	1,706	-
Share of profit of subsidiaries accounted for using equity method		( 2,175,222 )	( 1,703,123 )
Interest expense	6(26)	349,540	725,928
Interest income	6(23)	( 3,117 )	( 8,581 )
Dividend income	6(24)	( 107,720 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 5,147,180 )	( 2,998,819 )
Accounts receivable - related parties		( 7,969,139 )	( 5,503,122 )
Other receivables		82,333	251,140
Inventories		3,141,465	363,259
Prepayments		( 200,493 )	( 376 )
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		( 83,330 )	11,898
Contract liabilities		53,668	( 2,052,821 )
Accounts payable		5,284,121	6,703,510
Accounts payable - related parties		( 31,910 )	545,201
Other payables		8,138	270,712
Other current liabilities		9,071	( 190,348 )
Accrued pension liabilities		( 1,701 )	( 1,366 )
Cash outflow generated from operations		( 2,236,189 )	( 477,825 )
Interest received		3,117	8,581
Dividends received		1,175,510	1,730,549
Interest paid		( 343,835 )	( 723,498 )
Income taxes paid		( 388,148 )	( 321,532 )
Net cash flows (used in) from operating activities		( 1,789,545 )	216,275

(Continued)

WT MICROELECTRONICS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties	7	\$ -	\$ 721,803
Acquisition of financial assets at fair value through profit or loss		( 132,000 )	-
Proceeds from disposal of financial assets at fair value through profit or loss		39,515	-
Acquisition of financial assets at fair value through other comprehensive income		( 80,730 )	( 20,000 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	14
Acquisition of investments accounted for using equity method		( 397,230 )	-
Proceeds from capital reduction of subsidiaries		10,356	-
Acquisition of property, plant and equipment	6(33)	( 25,916 )	( 77,866 )
Acquisition of intangible assets	6(10)	( 5,008 )	( 23,585 )
Net cash payments for business combination	6(33)	( 29,485 )	( 15,396 )
Decrease (increase) in other non-current assets		814	( 11,353 )
Net cash flows (used in) from investing activities		( 619,684 )	573,617
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(34)	( 2,410,279 )	1,861,776
Increase (decrease) in short-term notes and bills payable	6(34)	245,228	( 957,983 )
Proceeds from long-term loans	6(34)	800,000	-
Repayments of long-term loans	6(34)	( 120,080 )	( 873,500 )
Proceeds from issuing bonds	6(14)(34)	-	1,195,000
Repayments of bonds	6(14)(34)	-	( 49,900 )
Payment of lease liabilities	6(34)	( 107,309 )	( 102,347 )
Cash dividends paid	6(20)	( 1,645,111 )	( 1,387,967 )
Issuance of preference shares	6(18)	6,750,000	-
Net cash flows from (used in) financing activities		3,512,449	( 314,921 )
Effect of exchange rate changes		( 820,150 )	( 345,767 )
Net increase in cash and cash equivalents		283,070	129,204
Cash and cash equivalents at beginning of year		490,983	361,779
Cash and cash equivalents at end of year		<u>\$ 774,053</u>	<u>\$ 490,983</u>

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



WT MICROELECTRONICS CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in the development and sales of electronic and communication components.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on February 25, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

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

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

Amendments to IFRS 3, ‘Definition of a business’

The amendments clarify the definition of a business 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. The definition of the term “outputs” is amended to focus on goods and services provided to customers and it excludes the reference to an ability to reduce costs. The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed. Also, an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business has been added.

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

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

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

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

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

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

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

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

Amendments to IFRS 3, 'Reference to the conceptual framework'

The amendments were made to IFRS 3, 'Business combinations' to update the references to the 2018 Conceptual Framework for Financial Reporting, in determining what constitutes an asset or a liability in a business combination. In addition, the amendments added an exception in IFRS 3 for the

recognition of liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also confirmed that contingent assets, as defined in IAS 37, should not be recognised by the acquirer at the acquisition date.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

##### (3) Foreign currency translation

A. The parent company only financial statements are presented in NT dollars, which is the Company’s functional and presentation currency.

B. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

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

#### C. Translation of foreign operations

- (a) The operating results and financial position of all the consolidated entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

#### (4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Company has not retained control of the financial asset.

(11) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.

- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.



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

Buildings and structures	26 ~ 55 years
Office equipment	2 ~ 5 years
Other assets	2 ~ 10 years

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.
- C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 years.

(16) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(17) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(18) Notes and accounts payable

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

- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet

in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

C. Employees', directors' and supervisors' remuneration

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

(21) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where

appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

#### (23) Share capital

Ordinary shares are classified as equity. The classification of preference shares is determined according to the special rights attached to the preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preference shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

#### (24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

- A. The Company sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(26) Business combinations

- A. The Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The related information is addressed below:

### (1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the goods or services before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Company has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information on goodwill impairment.

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 1,622	\$ 751
Checking accounts and demand deposits	<u>772,431</u>	<u>490,232</u>
	<u>\$ 774,053</u>	<u>\$ 490,983</u>

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

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

<u>Assets</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Beneficiary certificates	<u>\$ 13,135</u>	<u>\$ -</u>
Non-current items:		
Beneficiary certificates	<u>\$ 86,217</u>	<u>\$ -</u>
<u>Liabilities</u>		
Current items:		
Derivatives	<u>\$ -</u>	<u>(\$ 25,841)</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities mandatorily measured at fair value through profit or loss are as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Derivative instruments	(\$ 57,489)	(\$ 10,406)
Beneficiary certificates	<u>6,867</u>	<u>-</u>
	<u>(\$ 50,622)</u>	<u>(\$ 10,406)</u>



B. The non-hedging derivative instruments and contract information are as follows:

	December 31, 2019		
	Contract amount (Notional principal)		
Derivative financial liabilities	(In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	146,017	2019.11.8~2020.3.27

The Company entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Company deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

D. The Company has no financial assets measured at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments	\$ 14,245,527	\$ 28,994

A. The Company has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. The Company exchanged shares with ASMedia Technology Inc. on April 21, 2020 and acquired \$6,624,000 of financial assets at fair value through other comprehensive income - non-current. Please refer to Note 6(18) for more details.

C. Due to the liquidation of investees, the Company sold \$14 of unlisted shares at fair value which resulted in a cumulative gain of \$14 on disposal during the year ended December 31, 2019.

D. Please refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2020 and 2019. There were no dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held for the years ended December 31, 2020 and 2019.

E. The Company has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2020 and 2019.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 304,340	\$ 167,864
Accounts receivable	20,071,841	15,226,323
Less: Allowance for uncollectible accounts	( 199,414)	( 195,352)
Notes and accounts receivable, net	<u>20,176,767</u>	<u>15,198,835</u>
Overdue receivables	126,234	80,857
Less: Allowance for uncollectible accounts	( 126,234)	( 80,857)
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>-</u>
	<u>\$ 20,176,767</u>	<u>\$ 15,198,835</u>

A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,595,175.

B. Transferred financial assets that are derecognised in their entirety

The Company entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable transferred		
(Amount derecognised)	<u>\$ 17,368,295</u>	<u>\$ 21,994,596</u>
Amount advanced	<u>\$ 17,097,364</u>	<u>\$ 21,567,343</u>
Amount retained	<u>\$ 270,931</u>	<u>\$ 427,253</u>

(a) The above amounts retained are shown as 'other receivables'. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(b) As of December 31, 2020 and 2019, the interest rates for amounts advanced ranged between 0.39%~1.37% and 1.20%~3.30%, respectively.

(c) As of December 31, 2020 and 2019, the total limits of the accounts receivable factoring were \$55,376,810 and \$59,801,140, respectively.

(d) As of December 31, 2020 and 2019, the Company has issued a promissory note of \$74,419,826 and \$76,582,324, respectively, as performance guarantee against any business dispute.

(e) Please refer to Note 6(26) for information on financing charges on accounts receivable factoring for the years ended December 31, 2020 and 2019.

C. Transferred financial assets that are not derecognised in their entirety

The Company entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Company can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Company will retain risk and returns of such accounts receivable. Accordingly, the Company did not derecognise the accounts receivable where the bank has the right of recourse.

As of December 31, 2020 and 2019, the total limits of the accounts receivable factoring agreement with recourse were \$933,517 and \$750,500, respectively. The Company has no accounts receivable that are financed and amount advanced.

D. The Company took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. The Company does not hold any collateral as security.

F. As of December 31, 2020 and 2019, the Company's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$8,425,799 and \$4,302,425, respectively, and recorded as 'accounts receivable'.

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

(5) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amounts retained for accounts receivable factoring	\$ 270,931	\$ 427,253
VAT refund receivables	163,199	114,681
Others	65,439	39,968
	<u>\$ 499,569</u>	<u>\$ 581,902</u>

(6) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise inventory	\$ 30,941,748	\$ 34,094,862
Less: Allowance for inventory obsolescence and market value decline	( 679,711)	( 691,360)
	<u>\$ 30,262,037</u>	<u>\$ 33,403,502</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of inventories sold	\$ 283,507,465	\$ 269,227,115
Loss on decline in market value	15,768	24,958
Loss on physical inventory	165	231
	<u>\$ 283,523,398</u>	<u>\$ 269,252,304</u>

(7) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Wintech Microelectronics Holding Limited	\$ 9,372,697	\$ 9,242,563
Morrihan International Corp.	3,969,208	3,677,188
Maxtek Technology Co., Ltd.	1,987,146	1,793,119
Techmosa International Inc.	1,945,813	1,917,116
Nuvision Technology Inc.	915,805	823,012
BSI Semiconductor Pte. Ltd.	739,511	740,094
Analog World Co., Ltd.	411,719	-
MSD Holdings Pte. Ltd.	209,520	219,997
Milestone Investment Co.,Ltd.	78,993	66,488
Sinyie Investment Co.,Ltd.	44,819	44,819
AboveE Technology Inc.	-	10,406
	<u>\$ 19,675,231</u>	<u>\$ 18,534,802</u>

- A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company's subsidiaries.
- B. For the years ended December 31, 2020 and 2019, the Company received cash dividends arising from investments accounted for using equity method amounting to \$1,067,790 and \$1,730,549, respectively.
- C. In October 2020, the Company acquired all the equity interest of Analog World Co., Ltd. for a cash consideration of \$397,230 (US\$13,539 thousand). Please refer to Note 6(32) for related information.
- D. In December 2020, AboveE Technology Inc. has been dissolved and liquidated.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>					
Cost	\$ 225,459	\$ 217,449	\$ 249,608	\$ 208,259	\$ 900,775
Accumulated depreciation and impairment	<u>-</u>	<u>( 95,228)</u>	<u>( 180,309)</u>	<u>( 137,529)</u>	<u>( 413,066)</u>
	<u>\$ 225,459</u>	<u>\$ 122,221</u>	<u>\$ 69,299</u>	<u>\$ 70,730</u>	<u>\$ 487,709</u>
<u>2020</u>					
Opening net book amount	\$ 225,459	\$ 122,221	\$ 69,299	\$ 70,730	\$ 487,709
Additions	-	-	11,426	13,051	24,477
Depreciation charge	<u>-</u>	<u>( 6,656)</u>	<u>( 27,738)</u>	<u>( 35,775)</u>	<u>( 70,169)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 115,565</u>	<u>\$ 52,987</u>	<u>\$ 48,006</u>	<u>\$ 442,017</u>
<u>At December 31, 2020</u>					
Cost	\$ 225,459	\$ 217,449	\$ 248,159	\$ 188,088	\$ 879,155
Accumulated depreciation and impairment	<u>-</u>	<u>( 101,884)</u>	<u>( 195,172)</u>	<u>( 140,082)</u>	<u>( 437,138)</u>
	<u>\$ 225,459</u>	<u>\$ 115,565</u>	<u>\$ 52,987</u>	<u>\$ 48,006</u>	<u>\$ 442,017</u>
	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 217,449	\$ 231,203	\$ 153,958	\$ 828,069
Accumulated depreciation and impairment	<u>-</u>	<u>( 88,572)</u>	<u>( 153,794)</u>	<u>( 112,075)</u>	<u>( 354,441)</u>
	<u>\$ 225,459</u>	<u>\$ 128,877</u>	<u>\$ 77,409</u>	<u>\$ 41,883</u>	<u>\$ 473,628</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 128,877	\$ 77,409	\$ 41,883	\$ 473,628
Additions	-	-	24,960	57,723	82,683
Depreciation charge	<u>-</u>	<u>( 6,656)</u>	<u>( 33,070)</u>	<u>( 28,876)</u>	<u>( 68,602)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 122,221</u>	<u>\$ 69,299</u>	<u>\$ 70,730</u>	<u>\$ 487,709</u>
<u>At December 31, 2019</u>					
Cost	\$ 225,459	\$ 217,449	\$ 249,608	\$ 208,259	\$ 900,775
Accumulated depreciation and impairment	<u>-</u>	<u>( 95,228)</u>	<u>( 180,309)</u>	<u>( 137,529)</u>	<u>( 413,066)</u>
	<u>\$ 225,459</u>	<u>\$ 122,221</u>	<u>\$ 69,299</u>	<u>\$ 70,730</u>	<u>\$ 487,709</u>

Office and other equipments at December 31, 2020 and 2019 were for the Company's own use and not for lease.

(9) Leasing arrangements - lessee

- A. The Company leases various assets including land, office and warehouse. The rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	<u>\$ 236,123</u>	<u>\$ 278,288</u>
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings and structures	<u>\$ 108,930</u>	<u>\$ 105,289</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$66,765 and \$28,013, respectively.
- D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 6,135	\$ 7,111
Expense on short-term lease contracts	54,389	56,752

- E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$167,833 and \$166,210, respectively.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 387,437	\$ 91,825	\$ 5,381	\$ 484,643
Accumulated amortisation and impairment	( 162,120)	( 68,096)	-	( 230,216)
	<u>\$ 225,317</u>	<u>\$ 23,729</u>	<u>\$ 5,381</u>	<u>\$ 254,427</u>
<u>2020</u>				
Opening net book amount	\$ 225,317	\$ 23,729	\$ 5,381	\$ 254,427
Additions	-	5,008	-	5,008
Amortisation charge (shown as 'general and administrative expenses')	-	( 9,565)	( 1,614)	( 11,179)
Impairment loss	( 46,013)	-	-	( 46,013)
Closing net book amount	<u>\$ 179,304</u>	<u>\$ 19,172</u>	<u>\$ 3,767</u>	<u>\$ 202,243</u>
<u>At December 31, 2020</u>				
Cost	\$ 387,437	\$ 96,833	\$ 5,381	\$ 489,651
Accumulated amortisation and impairment	( 208,133)	( 77,661)	( 1,614)	( 287,408)
	<u>\$ 179,304</u>	<u>\$ 19,172</u>	<u>\$ 3,767</u>	<u>\$ 202,243</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 377,422	\$ 68,240	\$ -	\$ 445,662
Accumulated amortisation and impairment	( 158,309)	( 59,236)	-	( 217,545)
	<u>\$ 219,113</u>	<u>\$ 9,004</u>	<u>\$ -</u>	<u>\$ 228,117</u>
<u>2019</u>				
Opening net book amount	\$ 219,113	\$ 9,004	\$ -	\$ 228,117
Additions	10,015	23,585	5,381	38,981
Amortisation charge (shown as 'general and administrative expenses')	-	( 8,860)	-	( 8,860)
Impairment loss	( 3,811)	-	-	( 3,811)
Closing net book amount	<u>\$ 225,317</u>	<u>\$ 23,729</u>	<u>\$ 5,381</u>	<u>\$ 254,427</u>
<u>At December 31, 2019</u>				
Cost	\$ 387,437	\$ 91,825	\$ 5,381	\$ 484,643
Accumulated amortisation and impairment	( 162,120)	( 68,096)	-	( 230,216)
	<u>\$ 225,317</u>	<u>\$ 23,729</u>	<u>\$ 5,381</u>	<u>\$ 254,427</u>

- A. Other intangible assets mainly pertain to customer relationship.
- B. The information on intangible assets acquired through business combinations for the years ended December 31, 2020 and 2019 is provided in Note 6(32).
- C. Goodwill is allocated as follows to the Company's cash-generating units identified according to operating segment:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Retail</u>	<u>Retail</u>
Greater China Region	<u>\$ 179,304</u>	<u>\$ 225,317</u>

- D. Goodwill is allocated to the Company's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The assumptions used for weighted average growth rates are based on past historical experience and expectations of industry; the assumption used for discount rate is the weighted average capital cost of the Company. As of December 31, 2020 and 2019, the key valuations used for pre-tax discount rate were 4.57%~10.3% and 6.69%~10.5%, respectively. Based on the Company's assessment, the recoverable amount was less than carrying value, thus, the Company recognised impairment loss of goodwill of \$46,013 and \$3,811 for the years ended December 31, 2020 and 2019, respectively.

- E. The Company evaluated the impairment of recoverable amount of goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Company's estimated average annual revenue growth rate for the years ended December 31, 2020 and 2019 are both 0%~5%, and adopted discount rate is the pre-tax ratio of weighted average cost of capital to reflect risk of related cash-generating units. Based on the aforementioned assessment, the Company recognised impairment loss of goodwill of \$46,013 and \$3,811 for the years ended December 31, 2020 and 2019, respectively, and are recorded as 'other gains and losses'.

- F. The impairment loss reported by operating segments is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Greater China Region	<u>\$ 46,013</u>	<u>\$ 3,811</u>

- G. There were no intangible assets that were pledged to others.



(11) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Credit loans	\$ 15,938,058	\$ 18,348,337
Loan facilities	\$ 46,543,328	\$ 20,409,697
Interest rate range	0.5186%~1.1%	0.9177%~2.8330%
Contract period	2020/3/11~2021/9/14	2019/1/23~2020/6/24

(12) Short-term notes and bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper	\$ 650,000	\$ 400,000
Amortisation of discount	( 325)	( 1,047)
	<u>\$ 649,675</u>	<u>\$ 398,953</u>
Coupon rate	0.462%~0.572%	0.83%~0.85%

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(13) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonuses payable	\$ 697,608	\$ 472,626
Freight payable	124,751	91,567
Accrued VAT payable	89,795	241,932
Costs to provide technical services payable	71,249	61,325
Insurance expense payable	50,432	46,863
Finance cost payable	19,420	71,712
Services payable	13,590	41,087
Others	93,475	131,628
	<u>\$ 1,160,320</u>	<u>\$ 1,158,740</u>

(14) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 384,100	\$ 1,158,600
Less: Discount on bonds payable	( 6,906)	( 34,509)
	377,194	1,124,091
Less: Bonds payable, current portion	-	-
	<u>\$ 377,194</u>	<u>\$ 1,124,091</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July

- 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2020, the conversion price was NT\$28.2 per share.
  - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus share options’ amounting to \$12,087 as of December 31, 2020, in accordance with IAS 32.
- (c) As of December 31, 2020, the convertible bonds converted into 26,896 thousand common shares totaled \$815,900 at par value.

**B. Fifth unsecured convertible bonds of 2016**

- (a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
  - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at \$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was \$31.3 per share.
  - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in 'capital surplus-share options' as of December 31, 2019, in accordance with IAS 32.
- (c) The abovementioned bonds matured on July 7, 2019. As of the maturity date, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value. The Company repaid \$49,900 of the unconverted bonds in accordance with the contract, and transferred \$1,875 from 'capital surplus-share options' to 'capital surplus-share premium'.
- C. For the years ended December 31, 2020 and 2019, the amortised discount of bonds payable was \$7,500 and \$8,882, respectively.

(15) Long-term loans

Type of loans	Period	December 31, 2020	
		Credit line	Amount
Mid-term borrowings (Bank of Taiwan)	2020/9/14~2022/9/14	<u>\$ 800,000</u>	\$ 800,000
Less: Long-term borrowings, current portion			-
			<u>\$ 800,000</u>
Interest rate			<u>1.2%</u>

Type of loans	Period	December 31, 2019	
		Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>\$ 120,080</u>	\$ 120,080
Less: Long-term borrowings, current portion			( 120,080)
			<u>\$ -</u>
Interest rate			<u>2.8013%</u>

- A. The mid-term borrowing contract the Company entered into with the head quarter of The Export-Import Bank of the Republic of China expired in January 2020 and all the borrowings were settled in 2020.
- B. Under the Bank of Taiwan borrowing contract, the Company shall review the average balance of demand deposits every six months during the contract period in order to maintain the interest rate markup.
- C. The Company's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two

units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 153,204	\$ 126,076
Fair value of plan assets	( 108,942)	( 101,767)
Net defined benefit liability (shown as 'other non-current liabilities')	<u>\$ 44,262</u>	<u>\$ 24,309</u>

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

Year ended December 31, 2020	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 126,076	\$ 101,767	\$ 24,309
Current service cost	1,123	-	1,123
Interest (expense) income	882	712	170
	<u>128,081</u>	<u>102,479</u>	<u>25,602</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,469	( 3,469)
Change in financial assumptions	6,159	-	6,159
Experience adjustments	18,964	-	18,964
	<u>25,123</u>	<u>3,469</u>	<u>21,654</u>
Pension fund contribution	-	2,994	( 2,994)
Balance at December 31	<u>\$ 153,204</u>	<u>\$ 108,942</u>	<u>\$ 44,262</u>

Year ended December 31, 2019	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 110,691	\$ 94,897	\$ 15,794
Current service cost	1,093	-	1,093
Interest (expense) income	1,107	949	158
	<u>112,891</u>	<u>95,846</u>	<u>17,045</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,304	( 3,304)
Change in financial assumptions	4,079	-	4,079
Experience adjustments	9,106	-	9,106
	<u>13,185</u>	<u>3,304</u>	<u>9,881</u>
Pension fund contribution	-	2,617	( 2,617)
Balance at December 31	<u>\$ 126,076</u>	<u>\$ 101,767</u>	<u>\$ 24,309</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund, hence, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2020	2019
Discount rate	<u>0.3%</u>	<u>0.7%</u>
Future salary increases	<u>3%</u>	<u>3%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2020	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	<u>(\$ 3,888)</u>	<u>\$ 4,022</u>	<u>\$ 3,525</u>	<u>(\$ 3,433)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 3,410)</u>	<u>\$ 3,533</u>	<u>\$ 3,130</u>	<u>(\$ 3,045)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amount to \$3,049.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years.

#### B. Defined contribution pension plan

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

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$42,780 and \$36,721, respectively.

#### (17) Share-based payment

A. For the year ended December 31, 2020, the Company’s share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Cash capital increase reserved for employee preemption	2020.8.17	520 thousand shares	Vested immediately

B. The fair value of stock options granted on August 17, 2020 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2020.8.17	\$ 53.25	\$ 50.00	9.09	0.137	0.13	\$ 3.28

Compensation cost of share-based payment of \$1,706 was recognised for cash capital increase reserved for employee preemption for the year ended December 31, 2020.

(18) Share capital

Common Stock

A. As of December 31, 2020, the Company's authorised capital was \$15,000,000, including partial preferred shares, consisting of 1.5 billion shares (including 120 million shares reserved for employee stock options), and the paid-in capital was \$9,230,260 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2020	2019
	Shares (in thousands)	Shares (in thousands)
At January 1	591,437	557,611
Shares issued	171,000	-
Shares converted from bonds	25,795	33,826
At December 31	788,232	591,437

C. On February 21, 2020, the Company's Board of Directors resolved to increase capital of \$1,710,000 by issuing 171 million ordinary shares in the amount of \$6,624,000 with a par value of NT\$10 (in dollars) per share to exchange for 9 million shares of ASMedia Technology Inc. The transaction was approved by the Financial Supervisory Committee on April 17, 2020, and the effective date was set on April 21, 2020.

D. As of December 31, 2020, convertible bonds amounting to \$5,800 in total par value were requested for conversion into 206 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2020.

Preference Stock

On July 2, 2020, the Board of Directors resolved to increase the Company's capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preference shares with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the FSC

on July 29, 2020, and the effective date was set on October 15, 2020. The rights and obligations of these outstanding preference shares are as follows:

- A. Expiration date: The Company's Class A preference shares are perpetual. The stockholders of Class A preferred stocks cannot request the Company to retire the preferred stocks they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preference shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.
- B. Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- C. Dividend distribution: Dividends of Class A preference shares are distributed once per year in the form of cash. The effective date for distributing previous year's distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, can be distributed as dividends of preferred shares in first priority.

The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares when resolved by the Board of Directors, which would not lead to default if the Company has no or has insufficient current year's earnings for distribution or has other necessary considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.
- D. Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- E. Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the



same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.

F. Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the ordinary shareholders' meeting of the Company but have the right to vote in the shareholders' meeting for shareholders of Class A preference shares only and shareholders' meeting regarding unfavourable matters to rights and obligations of shareholders of Class A preference shares.

G. Conversion to common shares: Class A preference shares could not be converted to common shares.

H. The preemptive rights for shareholders of Class A preference shares are the same as of common shareholders when the Company increases its capital by issuing new shares.

I. Capital surplus arising from premium issuance of Class A preference shares can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.

(19) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Changes in capital surplus are as follows:

	2020				
	Share premium	Treasury share transactions	Stock options	Net change in equity of subsidiaries/ associates	Total
At January 1	\$ 9,446,398	\$ 40,742	\$36,459	\$ 8,237	\$ 9,531,836
Issuance of shares	4,914,000	-	-	-	4,914,000
Issuance of preference shares	5,400,000	-	-	-	5,400,000
Compensation cost of share-based payments	1,706	-	-	-	1,706
Conversion of convertible bonds	520,821	-	( 24,372)	-	496,449
Reorganization	( 249,010)	-	-	-	( 249,010)
At December 31	<u>\$ 20,033,915</u>	<u>\$ 40,742</u>	<u>\$12,087</u>	<u>\$ 8,237</u>	<u>\$ 20,094,981</u>

	2019				
	Share premium	Treasury share transactions	Stock options	Net change in equity of subsidiaries/ associates	Total
At January 1	\$ 8,684,119	\$ 40,742	\$40,362	\$ 8,159	\$ 8,773,382
Issue of convertible bonds	-	-	37,762		37,762
Expiration of convertible bonds	1,875	-	( 1,875)		-
Conversion of convertible bonds	760,404	-	( 39,790)		720,614
Changes in subsidiaries accounted for using equity method	-	-	-	78	78
At December 31	<u>\$ 9,446,398</u>	<u>\$ 40,742</u>	<u>\$36,459</u>	<u>\$ 8,237</u>	<u>\$ 9,531,836</u>

B. For the information relating to capital surplus-share options, please refer to Note 6(14).

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, in the current year, shall be distributed as the dividend of preferred shares in first priority and then along with beginning unappropriated earnings is the accumulated distributable earnings which will be proposed to be distributed by the Board of Directors and resolved by the shareholders.
- B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of the Company Act which shall be reported to the shareholders during their meeting. Said distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.
- C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- F. According to the resolutions adopted by the stockholders during their meetings in March 2020 and June 2019, the distribution information of the Company's 2019 and 2018 earnings is as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 261,034		\$ 277,823	
Special reserve	647,574		34,466	
Cash dividends	<u>1,645,111</u>	\$ 2.776	<u>1,387,967</u>	\$ 2.36
	<u>\$ 2,553,719</u>		<u>\$ 1,700,256</u>	

- (a) As of February 25, 2021, the appropriation of 2020 earnings has not yet been resolved by the Board of Directors.
- (b) Information on the appropriation of the Company's earnings as approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(21) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2020	\$ 368,652	(\$ 1,159,794)	(\$ 791,142)
Valuation adjustment on equity instruments			
- The Company	7,511,803	-	7,511,803
- Subsidiaries	502,537	-	502,537
Disposals reclassified as retained earnings			
- Subsidiaries	( 174,922)	-	( 174,922)
Currency translation differences			
- Translation of foreign operations	-	( 1,351,264)	( 1,351,264)
- Subsidiaries and associates	-	( 89,048)	( 89,048)
At December 31, 2020	<u>\$ 8,208,070</u>	<u>(\$ 2,600,106)</u>	<u>\$ 5,607,964</u>
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	(\$ 143,568)
Valuation adjustment on equity instruments			
- The Company	( 3,167)	-	( 3,167)
- Subsidiaries	210,918	-	210,918
Disposals reclassified as retained earnings			
- The Company	( 14)	-	( 14)
- Subsidiaries	( 87,617)	-	( 87,617)
Currency translation differences			
- Translation of foreign operations	-	( 501,673)	( 501,673)
- Subsidiaries and associates	-	( 266,021)	( 266,021)
At December 31, 2019	<u>\$ 368,652</u>	<u>(\$ 1,159,794)</u>	<u>(\$ 791,142)</u>

(22) Operating revenue

	Years ended December 31,	
	2020	2019
Contract revenue		
Sale of electronic components	\$ 288,492,197	\$ 273,820,634
Other operating revenue	154,767	176,096
	<u>\$ 288,646,964</u>	<u>\$ 273,996,730</u>

A. The Company's revenue from customers' contracts primarily arise from the transfer of goods at a point in time. Please refer to Statement 6 for revenue information by category.

B. The Company has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2020	December 31, 2019	January 1, 2019
Refund liabilities - sales discounts and returns	<u>\$ 203,287</u>	<u>\$ 368,473</u>	<u>\$ 519,642</u>
Contract liabilities - advance sales receipts	<u>\$ 146,174</u>	<u>\$ 92,506</u>	<u>\$ 2,145,327</u>

(23) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 3,117	\$ 6,453
Interest income - related parties	-	2,128
	<u>\$ 3,117</u>	<u>\$ 8,581</u>

(24) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 107,720	\$ -
Other income	20,981	4,582
	<u>\$ 128,701</u>	<u>\$ 4,582</u>

(25) Other gains and losses

	Years ended December 31,	
	2020	2019
Foreign exchange gain, net	\$ 345,873	\$ 164,908
Impairment loss of goodwill	( 46,013)	( 3,811)
Loss on financial assets and liabilities at fair value through profit or loss - derivatives	( 57,489)	( 10,406)
Gain on financial assets at fair value through profit or loss - equity instruments	6,867	-
Other losses	( 5,124)	( 32,983)
	<u>\$ 244,114</u>	<u>\$ 117,708</u>

(26) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$ 330,410	\$ 701,884
Others	19,130	24,044
Financing charges on accounts receivable factoring	260,558	523,145
Other finance costs	9,355	10,959
	<u>\$ 619,453</u>	<u>\$ 1,260,032</u>

(27) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 1,454,032	\$ 1,131,287
Depreciation	179,099	173,891
Amortisation	11,179	8,860
Total (shown as 'Operating expenses')	<u>\$ 1,644,310</u>	<u>\$ 1,314,038</u>

(28) Employee benefit expense

	Years ended December 31,	
	2020	2019
Employee benefit expense		
Wages and salaries	\$ 1,237,255	\$ 902,190
Labour and health insurance fees	72,358	62,774
Pension costs	44,073	37,972
Directors' remuneration	11,677	10,500
Other personnel expenses	88,669	117,851
Total (shown as 'Operating expenses')	<u>\$ 1,454,032</u>	<u>\$ 1,131,287</u>

- A. For the years ended December 31, 2020 and 2019, the Company had 829 and 729 employees, including 5 and 5 non-employee directors, respectively.
- B. For the years ended December 31, 2020 and 2019, the average employee benefit expenses were \$1,750 and \$1,548, respectively, while the average employee wages and salaries were \$1,502 and \$1,246, respectively; the variation on adjustments in the average employee wages and salaries was 20.55%.
- C. Since the Company has set up an audit committee, the supervisor's remuneration for the years ended December 31, 2020 and 2019 was \$0 for both years.
- D. The Company's compensation policies (including directors, managerial officers and employees):
- (a) The Company's compensation policies of directors
- i. In accordance with Article 16 of the Company's Articles of Incorporation:

The remuneration for Directors shall be proposed by the Remuneration Committee based on the degree of their involvement in the Company's operations and value of contribution, the Company's business performance and the standards of the industry, which shall be submitted to the Board of Directors for resolution.

ii. In accordance with Article 19 of the Company's Articles of Incorporation:

If the Company has profits (which mean profits before tax without deducting the remuneration of employees and Directors) in the fiscal year, the Company shall distribute not less than 1% of such profits to employees and not more than 3% to Directors as their remuneration; provided, however, that when the Company has accumulated losses, the profits shall be reserved to make up for losses.

(b) The Company's compensation policies of managerial officers

i. The performance evaluation and compensation of managerial officers are based on the standards of the industry, results of the personal performance evaluation, working hours, job responsibility, situation of achieving personal goals, performance in other positions, compensation given to those in the same position of the Company in recent years, the achievement of the Company's short-term and long-term business goals and the financial performance of the Company, as well as the rationality of the connection between personal performance and Company's operating performance and future risks. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.

ii. In accordance with Article 19 of the Company's Articles of Incorporation:

If the Company has profits (which mean profits before tax without deducting the remuneration of employees and Directors) in the fiscal year, the Company shall distribute not less than 1% of such profits to employees and not more than 3% to Directors as their remuneration; provided, however, that when the Company has accumulated losses, the profits shall be reserved to make up for losses.

(c) The Company's compensation policies of employees

i. The Company follows the Labor Standards Act and related laws and regulations to formulate various salary and welfare measures for employees, and provides market-competitive benefits to motivate employees. In addition, it also conducts regular assessments and issues performance bonuses to share earnings results with colleagues.

ii. In accordance with Article 19 of the Company's Articles of Incorporation:

If the Company has profits (which mean profits before tax without deducting the remuneration of employees and Directors) in the fiscal year, the Company shall distribute not less than 1% of such profits to employees and not more than 3% to Directors as their remuneration; provided, however, that when the Company has accumulated losses, the profits shall be reserved to make up for losses.

E. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.

F. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$42,800 and \$29,300, respectively; while directors' remuneration was accrued at \$10,500 and \$10,500, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2020 and 2019.

Employees' compensation and directors' remuneration for 2019 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2019.

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

(29) Income tax

A. Income tax expense

(a) Components of income tax expense

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the year	\$ 394,802	\$ 258,104
Tax on undistributed surplus earnings	2,831	63,772
Total current tax	397,633	321,876
Deferred tax:		
Origination and reversal of temporary differences	25,418	29,580
Income tax expense	\$ 423,051	\$ 351,456

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

	Years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	\$ 4,331	\$ 1,976



B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 843,525	\$ 576,479
Effect from items disallowed by tax regulation	( 423,305)	( 283,490)
Additional tax on undistributed earnings	2,831	63,772
Prior year income tax overestimation	-	( 5,305)
Income tax expenses	<u>\$ 423,051</u>	<u>\$ 351,456</u>

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

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Allowance for sales returns and discounts	\$ 208,746	\$ 64,018	\$ -	\$ 272,764
Reserve for inventory obsolescence and market price decline	144,739	3,154	-	147,893
Unrealised foreign exchange loss	44,010	( 23,967)	-	20,043
Others	<u>34,409</u>	<u>( 5,509)</u>	<u>4,331</u>	<u>33,231</u>
	<u>431,904</u>	<u>37,696</u>	<u>4,331</u>	<u>473,931</u>
Deferred tax liabilities:				
Foreign investment income using equity method	( 418,929)	( 62,643)	-	( 481,572)
Others	<u>-</u>	<u>( 471)</u>	<u>-</u>	<u>( 471)</u>
	<u>(\$ 418,929)</u>	<u>(\$ 63,114)</u>	<u>\$ -</u>	<u>(\$ 482,043)</u>

2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Allowance for sales returns and discounts	\$ 240,172	(\$ 31,426)	\$ -	\$ 208,746
Reserve for inventory obsolescence and market price decline	139,747	4,992	-	144,739
Unrealised foreign exchange loss	-	44,010	-	44,010
Others	28,665	3,768	1,976	34,409
	<u>\$ 408,584</u>	<u>\$ 21,344</u>	<u>\$ 1,976</u>	<u>\$ 431,904</u>
Deferred tax liabilities:				
Foreign investment income using equity method	(\$ 362,228)	(\$ 56,701)	\$ -	(\$ 418,929)
Unrealised foreign exchange gain	( 5,777)	5,777	-	-
	<u>(\$ 368,005)</u>	<u>(\$ 50,924)</u>	<u>\$ -</u>	<u>(\$ 418,929)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 16,622</u>	<u>\$ 16,622</u>

- E. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2020 and 2019, the temporary differences of unrecognised deferred tax liabilities were \$3,593,406 and \$3,773,058, respectively.
- F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(30) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method

	Years ended December 31,	
	2020	2019
Subsidiaries and associates:		
Components of other comprehensive income that will not be reclassified to profit or loss		
- Valuation adjustment on equity instruments	\$ 502,537	\$ 210,918
- Net gain (loss) on defined benefit plan	12,758	( 324)
	<u>515,295</u>	<u>210,594</u>
Components of other comprehensive income that will be reclassified to profit or loss		
- Currency translation differences	( 89,048)	( 266,021)
	<u>( 89,048)</u>	<u>( 266,021)</u>
	<u>\$ 426,247</u>	<u>(\$ 55,427)</u>

(31) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	<u>\$ 3,794,178</u>	<u>726,519</u>	<u>\$ 5.22</u>
<u>Diluted earnings per share</u>			
Profit for the year	3,794,178	726,519	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	7,500	23,473	
Employees' compensation	<u>-</u>	<u>1,158</u>	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 3,801,678</u>	<u>751,150</u>	<u>\$ 5.06</u>

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	<u>\$ 2,530,940</u>	<u>585,359</u>	<u>\$ 4.32</u>
<u>Diluted earnings per share</u>			
Profit for the year	2,530,940	585,359	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	8,882	21,354	
Employees' compensation	<u>-</u>	<u>871</u>	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,539,822</u>	<u>607,584</u>	<u>\$ 4.18</u>

(32) Business combinations

The following business combinations occurred during the years ended December 31, 2020 and 2019:

- A. In accordance with the resolution adopted by the Board of Directors on July, 2020, the Company decided to acquire all shares of Analog World Co., Ltd. through stock swap at US\$112.82 (in dollars) per share, which then became a wholly-owned subsidiary. The acquisition consideration was \$397,230 (US\$13,539 thousand) and the effective date was October 5, 2020. As of December 31, 2020, the case is still under assessment period. The Company has commissioned an expert to evaluate the fair value of net identifiable assets. For the related information, please refer to Note 6(32) of the Company's consolidated financial statements as of December 31, 2020.
- B. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:
  - (a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to \$15,396. The record date of the transfer was July 1, 2019.
  - (b) Green Chips Co., Ltd. is a distributor of electronic components with the Korea region as its primary market.
  - (c) As of December 31, 2019, actual payment of \$15,396 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.
  - (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2019</u>
Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	( 5,381)
Goodwill	<u>\$ 10,015</u>

(33) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	<u>Years ended Decemer 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 24,477	\$ 82,683
Add: Opening balance of payable on equipment	4,817	-
Less: Ending balance of payable on equipment	( 3,378)	( 4,817)
Cash paid during the year	<u>\$ 25,916</u>	<u>\$ 77,866</u>

B. Cash paid for business combinations:

	<u>Year ended</u> <u>Decemer 31, 2019</u>
Purchase of intangible assets	\$ 15,396
Add: Ending balance of prepayments	-
Cash paid during the year	<u>\$ 15,396</u>

C. Financing activities with no cash flow effects

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Issuance of shares	\$ 6,624,000	\$ 6,624,000
Acquisition of financial assets at fair value		
through other comprehensive income	( 6,624,000)	( 6,624,000)
Conversion bonds payable	257,948	338,263
Capital surplus of bonds payable conversion	496,449	720,614
Conversion of convertible bonds payable	( 754,397)	( 1,058,877)
Cash paid during the year	<u>\$ -</u>	<u>\$ -</u>

On April 21, 2020, the Company issued new shares in exchange for shares of ASMedia Technology Inc. Please refer to Note 6(18) for more details.

(34) Changes in liabilities from financing activities

	Long-term and short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities - gross
At January 1, 2020	\$ 18,468,417	\$ 398,953	\$ 1,124,091	\$ 281,230	\$ 20,272,691
Changes in cash flow from financing activities	( 1,730,359)	245,228	-	( 107,309)	( 1,592,440)
Interest expense from amortisation	-	5,494	7,500	-	12,994
Issuance of convertible bonds attributable to equity	-	-	( 754,397)	-	( 754,397)
Increase in lease liability for the year	-	-	-	66,765	66,765
At December 31, 2020	<u>\$ 16,738,058</u>	<u>\$ 649,675</u>	<u>\$ 377,194</u>	<u>\$ 240,686</u>	<u>\$ 18,005,613</u>

	Long-term and short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable (Note 2)	Lease liability	Liabilities from financing activities - gross
At January 1, 2019	\$ 17,480,141	\$ 1,348,885	\$ 1,066,748	\$ -	\$ 19,895,774
Changes in cash flow from financing activities	988,276	( 957,983)	1,145,100	( 102,347)	1,073,046
Interest expense from amortisation	-	8,051	8,882	-	16,933
Conversion of convertible bonds	-	-	( 1,058,877)	-	( 1,058,877)
Issuance of convertible bonds attributable to equity	-	-	( 37,762)	-	( 37,762)
IFRS 16 conversion recognition	-	-	-	355,564	355,564
Increase in lease liability for the year	-	-	-	28,013	28,013
At December 31, 2019	<u>\$ 18,468,417</u>	<u>\$ 398,953</u>	<u>\$ 1,124,091</u>	<u>\$ 281,230</u>	<u>\$ 20,272,691</u>

Note 1: Including long-term liabilities-current portion

Note 2: Shown as 'long-term liabilities-current portion'

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Techmosa International Inc.	Subsidiary of the Company
Nuvision Technology Inc.	Subsidiary of the Company
Morrihan International Corp.	Subsidiary of the Company
Maxtek Technology Co., Ltd.	Subsidiary of the Company
WT Microelectronics (Hong Kong) Limited	Indirectly reinvested subsidiary of the Company
WT Solomon QCE Limited	Indirectly reinvested subsidiary of the Company
WT Technology Pte. Ltd.	Indirectly reinvested subsidiary of the Company
WT Microelectronics Singapore Pte. Ltd.	Indirectly reinvested subsidiary of the Company
Wintech Microelectronics Ltd.	Indirectly reinvested subsidiary of the Company
WT Technology Korea Co., Ltd.	Indirectly reinvested subsidiary of the Company
Wonchang Semiconductor Co., Ltd.	Indirectly reinvested subsidiary of the Company
Lacewood International Corp.	Indirectly reinvested subsidiary of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company
WPG Holding Co., Ltd. and Subsidiaries (Note 1)	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries (Note 2)	Entity with significant influence over the Group

Note 1: On January 30, 2020, WPG Holdings Limited acquired 177,110 thousand shares of the Company and became the related party who has significant influence over the Group.

Note 2: On April 21, 2020, ASUSTeK Computer Inc.'s subsidiary, ASMedia Technology Inc., became a related party with significant influence over the Group by exchanging shares with the Company and acquiring 171,000 thousand shares of the Company.

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
- Subsidiaries		
Morrihan International Corp.	\$ 83,698,499	\$ 83,065,305
WT Microelectronics (Hong Kong) Limited	24,213,440	20,690,270
Others	33,605,631	33,348,137
- Entity with significant influence over the Group	<u>1,505,606</u>	<u>-</u>
	<u>\$ 143,023,176</u>	<u>\$ 137,103,712</u>

The collection terms with related parties were 45 to 120 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

## B. Purchases

	Years ended December 31,	
	2020	2019
Purchases of goods:		
- Subsidiaries	\$ 11,767,459	\$ 10,219,611
- Associates	30,660	4
- Entity with significant influence over the Group	702,504	-
	<u>\$ 12,500,623</u>	<u>\$ 10,219,615</u>

The credit term to related parties is 30 to 90 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

## C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
- Subsidiaries		
Morrihan International Corp.	\$ 18,487,732	\$ 8,054,975
WT Microelectronics (Hong Kong) Limited	1,347,791	3,077,588
WT Technology Pte. Ltd.	1,172,987	530,071
Others	1,941,354	3,498,771
- Entity with significant influence over the Group	180,680	-
	<u>\$ 23,130,544</u>	<u>\$ 15,161,405</u>

## D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
- Subsidiaries		
Nuvision Technology Inc.	\$ 551,840	\$ 300,845
Techmosa International Inc.	93,945	224,533
Maxtek Technology Co., Ltd.	31,054	319,939
Others	78,670	13,244
- Entity with significant influence over the Group	71,142	-
	<u>\$ 826,651</u>	<u>\$ 858,561</u>

## E. Contract liabilities – current (Advance sales receipts)

	December 31, 2020	December 31, 2019
Contract liabilities – current (Advance sales receipts):		
- Subsidiaries	<u>\$ 1,665</u>	<u>\$ 11,239</u>



## F. Commissions

### (a) Commissions expense

	Years ended December 31,	
	2020	2019
-Subsidiaries	\$ 43,929	\$ 55,400

### (b) Commissions payable (shown as 'other payables to related parties')

	December 31, 2020	December 31, 2019
- Subsidiaries	\$ 2,665	\$ 2,712

## G. Endorsements and guarantees provided to related parties

As of December 31, 2020 and 2019, the balances of provision of endorsements and guarantees to subsidiaries for bank borrowings and purchase guarantees were as follows. The details are provided in Note 13(1)B.

	December 31, 2020	December 31, 2019
- Subsidiaries	\$ 10,202,902	\$ 10,574,786

### (3) Key management compensation

	Years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 87,376	\$ 75,756
Post-employment benefits	499	269
	<u>\$ 87,875</u>	<u>\$ 76,025</u>

## 8. PLEDGED ASSETS

None.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

#### A. Operating lease commitments

The amounts of outstanding letters of credit for the purchase of inventories by the Company are as follows:

	December 31, 2020	December 31, 2019
Outstanding letters of credit	<u>\$ 2,052,880</u>	<u>\$ 1,760,560</u>

#### B. Provision of endorsements and guarantees

Please refer to Note 7(2)G for the provision of endorsements and guarantees to subsidiaries for bank borrowings.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On January 5, 2021, the Board of Directors resolved to issue 12,000 units of employee stock options. Each unit allows employees to purchase 1 thousand common shares of the Company. Consequently, the Company has to issue common shares totalling 12 million shares due to the exercise of stock options. Depending on the actual needs, the issuance should be processed at one time or several times within a year starting from the date of receipt of the notice of effective registration. The chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

## 12. OTHERS

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the parent company only balance sheet. Total equity is calculated as the 'equity' in the parent company only balance sheet.

In 2020 and 2019, the Company's strategy was to maintain the financial debt ratio below 250%.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 99,352	\$ -
Financial assets at fair value through other comprehensive income (Note 1)	22,671,326	4,331,419
Financial assets at fair value (Note 2)	<u>36,196,131</u>	<u>27,169,986</u>
	<u>\$ 58,966,809</u>	<u>\$ 31,501,405</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (Note 3)	\$ -	\$ 25,841
Financial liabilities at amortised cost (Note 4)	<u>63,202,124</u>	<u>60,177,037</u>
	<u>\$ 63,202,124</u>	<u>\$ 60,202,878</u>
Lease liability	<u>\$ 240,686</u>	<u>\$ 281,230</u>

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable and long-term borrowings.

#### B. Risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(2).

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to manage their foreign exchange risk against their functional currency.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities

denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,498,689	28.480	\$42,682,663	1%	\$ 426,827
<u>Foreign operations</u>					
USD:NTD	387,095	28.480	11,013,757		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,610,519	28.480	45,867,581	1%	458,676
December 31, 2019					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,010,091	30.020	\$30,322,932	1%	\$ 303,229
<u>Foreign operations</u>					
USD:NTD	341,781	30.020	10,249,536		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,166,178	30.020	35,008,664	1%	350,087

- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$345,873 and 164,908, respectively.

#### Price risk

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

- ii. The Company's investments in equity securities comprise shares and beneficiary certificates issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2020 and 2019, post-tax profit would have increased/decreased by \$994 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$142,455 and \$290, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have decreased/increased by \$41,707 and \$49,655, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 42,670,027	\$ 28,141,012
Up to 90 days	761,217	2,315,923
91 to 180 days	10,027	9,705
Over 180 days	<u>191,688</u>	<u>169,809</u>
	<u>\$ 43,632,959</u>	<u>\$ 30,636,449</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Company assesses the expected credit losses of its accounts receivable as follows:
  - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
  - (ii) The remaining receivables are segmented according to the Company's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
  - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
  - (iv) As of December 31, 2020 and 2019, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>December 31, 2020</u>	<u>Individual</u>	<u>Group A &amp; B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	97.62%	0.03%	0.46%~42.25%	3.41%~12.57%	
Total book value	<u>\$ 202,293</u>	<u>\$ 37,254,409</u>	<u>\$ 5,927,364</u>	<u>\$ 248,893</u>	<u>\$ 43,632,959</u>
Loss allowance	<u>\$ 197,480</u>	<u>\$ 11,176</u>	<u>\$ 105,510</u>	<u>\$ 11,482</u>	<u>\$ 325,648</u>
<u>December 31, 2019</u>	<u>Individual</u>	<u>Group A &amp; B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	98.22%	0.03%	0.01%~2.98%	1.71%~33.9%	
Total book value	<u>\$ 247,074</u>	<u>\$ 22,563,770</u>	<u>\$ 6,578,200</u>	<u>\$ 1,247,405</u>	<u>\$ 30,636,449</u>
Loss allowance	<u>\$ 242,666</u>	<u>\$ 6,769</u>	<u>\$ 2,703</u>	<u>\$ 24,071</u>	<u>\$ 276,209</u>

Group A: Customers with excellent credit rating and the Company's subsidiaries

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	Years ended December 31,	
	2020	2019
At January 1	\$ 276,209	\$ 246,490
Provision for impairment	49,439	29,719
At December 31	<u>\$ 325,648</u>	<u>\$ 276,209</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. The Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. The Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Lease liability	\$ 102,503	\$ 137,997	\$ -	\$ 240,500
Bonds payable	-	384,100	-	384,100
	<u>\$ 102,503</u>	<u>\$ 522,097</u>	<u>\$ -</u>	<u>\$ 624,600</u>

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 90,750	\$ 187,492	\$ 10,974	\$ 289,216
Bonds payable	-	1,158,600	-	1,158,600
	<u>\$ 90,750</u>	<u>\$1,346,092</u>	<u>\$ 10,974</u>	<u>\$1,447,816</u>

Except for the abovementioned, the Company's non-derivative financial liabilities are due in one year.

#### Derivative financial liabilities

As of December 31, 2020 and 2019, all derivative financial liabilities of the Company are due in one year.

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

### (3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in level 2.

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

- B. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.
- C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:



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

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 13,135	\$ -	\$ 86,217	\$ 99,352
Financial assets at fair value through other comprehensive income				
Equity securities	14,201,533	-	43,994	14,245,527
Accounts receivable that are expected to be factored	-	8,425,799	-	8,425,799
	<u>\$ 14,214,668</u>	<u>\$ 8,425,799</u>	<u>\$ 130,211</u>	<u>\$ 22,770,678</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,994	\$ 28,994
Accounts receivable that are expected to be factored	-	4,302,425	-	4,302,425
	<u>\$ -</u>	<u>\$ 4,302,425</u>	<u>\$ 28,994</u>	<u>\$ 4,331,419</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	\$ -	\$ 25,841	\$ -	\$ 25,841

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net assets value

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics

in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

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

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

	<u>Equity securities and beneficiary certificates</u>	
	<u>2020</u>	<u>2019</u>
At January 1	\$ 28,994	\$ 12,175
Gains and losses recognised in profit or loss	( 783)	-
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	( 3,167)
Acquired in the year	102,000	20,000
Sold in the year	-	( 14)
At December 31	<u>\$ 130,211</u>	<u>\$ 28,994</u>

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

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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,994	Market comparable companies	Price to earnings ratio multiple	1.32 ~2.69 (2.13)	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Venture capital shares	35,000	Net asset value	Not applicable	-	Not applicable
Private equity fund	86,217	Most recent non-active market price	Not applicable	-	Not applicable
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,994	Discounted cash flow method	Weighted average cost of capital	11.89% ~12.51%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
			Long-term revenue growth rate	6.1%~ 219.3%	
			Discount for lack of marketability	5%~8%	
			Discount for lack of control	10%	

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

WT Microelectronics Co., Ltd.  
Loans to others  
Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 866,580	\$ -	\$ -	1.2%	Short-term financing	\$ -	Business Operation	\$ -	-	\$ -	\$ 4,607,802	\$ 18,431,207	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	90,750	85,440	85,440	2.3%	Short-term financing	-	Business Operation	-	-	-	104,946	104,946	Note 2
2	LACEWOOD INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	203,840	199,360	199,360	0.8%	Short-term financing	-	Business Operation	-	-	-	531,003	531,003	Note 2
3	WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	463,519	-	-	0.8%	Short-term financing	-	Business Operation	-	-	-	2,825,874	3,767,832	Note 4
3	WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,135,680	740,480	441,440	0.80%	Short-term financing	-	Business Operation	-	-	-	9,419,580	9,419,580	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	293,522	281,952	281,952	1.30%	Short-term financing	-	Business Operation	-	-	-	522,117	522,117	Note 2
5	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	84,728	79,744	79,744	1.4%	Short-term financing	-	Business Operation	-	-	-	88,393	88,393	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2020	Outstanding endorsement / guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarante e amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser / guarantor (Note 2)											
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 36,862,414	\$ 350,000	\$ 350,000	\$ 350,000	-	0.76%	\$ 36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	36,862,414	12,000	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	36,862,414	151,300	142,400	41,250	-	0.31%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	36,862,414	1,200,800	1,139,200	-	-	2.47%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	36,862,414	2,118,200	1,424,000	1,424,000	-	3.09%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	36,862,414	63,546	59,808	28,303	-	0.13%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	36,862,414	1,513	1,424	87	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	36,862,414	302,600	284,800	-	-	0.62%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	36,862,414	242,080	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	36,862,414	4,226,240	4,006,410	1,656,040	-	8.69%	36,862,414	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	36,862,414	1,469,719	1,442,060	522,960	-	3.13%	36,862,414	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	36,862,414	181,560	-	-	-	0.00%	36,862,414	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	36,862,414	1,383,200	1,352,800	1,344,252	-	2.94%	36,862,414	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,101,255	2,000	2,000	2,000	-	0.15%	1,101,255	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	3,175,414	25,000	25,000	25,000	-	0.63%	3,175,414	N	N	N	Note 4
3	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,392,676	151,300	-	-	-	0.00%	1,392,676	N	N	N	
3	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,392,676	9,500	6,000	6,000	-	0.34%	1,392,676	N	N	N	Note 4
4	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	274,457	9,500	8,000	8,000	-	2.33%	274,457	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:  
(1) The Company is ‘0’.  
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:  
(1) Having business relationship.  
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.  
(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor’s net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company’s net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd.  
Holding of marketable securities (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.24	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.73	-	
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	14,130,000	13.00	14,130,000	
WT MICROELECTRONICS CO., LTD.	Common stock	SINO-AMERICAN SILICON PRODUCTS INC.	None	2	403,000	71,533	0.07	71,533	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	35,000	9.62	35,000	
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL NEXGEN COMMUNICATION INNOVATIVE TECHNOLOGY ETF	None	3	500,000	13,135	-	13,135	
WT MICROELECTRONICS CO., LTD.	Private equity	FUH HWA ENERGY - EFFICIENT FUND	None	4	8,700,000	86,217	24.79	86,217	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	529,370	24,880	0.26	24,880	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	142,664	373,071	0.41	373,071	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	28,480	0.83	28,480	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AVIVA TECHNOLOGY HOLDING	None	2	-	14,240	-	14,240	
WINTech MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	349	-	349	
WINTech MICROELECTRONICS HOLDING LTD.	Private equity	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	28,480	-	28,480	
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	57,785	2.28	57,785	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	365,003	1.78	365,003	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	93,437	0.46	93,437	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current  
2- Financial assets at fair value through other comprehensive income - non-current  
3- Financial assets at fair value through profit or loss - current  
4- Financial assets at fair value through profit or loss - non-current

WT Microelectronics Co., Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital

Year ended December 31, 2020

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2020 (Note 1)		Addition		Disposal			Balance as at December 31, 2020 (Note 2)		
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the counterparty	No. of shares	Amount	No. of shares	Amount	No. of shares	Selling price	Book value	Gain (loss) on disposal	No. of shares	Amount
WT MICROELECTRONICS CO., LTD.	ASMEDIA TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	9,000,000	\$ 6,624,000	-	-	-	-	9,000,000	\$ 14,130,000

Note 1 : The balance as at January 1, 2020, addition amount, and the balance as at December 31, 2020 are presented in initial investment amount.

Note 2 : The balance as at December 31, 2020 includes the unrealised gain (loss) from financial assets measured at fair value.



WT Microelectronics Co., Ltd.  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,698,499	29	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 18,487,732	43	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	24,213,440	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,347,791	3	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	8,609,188	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	390,884	1	
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	8,560,529	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,099,967	3	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,094,577	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,172,987	3	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	3,754,454	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	402,828	1	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,511,492	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	35,828	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,038,175	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	569,829	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	255,954	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	172,983	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,305,528	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	3,293,253	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 551,840)	1	

			Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	\$ 1,484,657	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(\$ 93,945)	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,458,079	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 31,054)	-	
WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	140,291	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 37,730)	-	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,220,553	20	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	259,082	8	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,192,027	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	794,085	24	
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,604,593	10	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	487,306	15	
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	9,991,370	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,601,771	8	
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	808,036	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	418,710	2	
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	488,260	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	28,332	-	
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	487,740	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	182,407	1	
MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	291,945	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	88,563	-	
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	176,446	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	4,603	-	
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	152,658	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	98,750	1	
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	127,748	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 409)	-	
MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	111,047	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 27,784)	-	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	409,081	7	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	273,422	18	
TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	188,324	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	81,067	5	

							Differences in transaction terms compared to third				
							party transactions		Notes/accounts receivable (payable)		
		Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Purchaser/seller	Counterparty										
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	\$ 1,593,946	36	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	78,382	11	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	6,635,233	70	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,648,463	66	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,782,666	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	837,579	34	

WT Microelectronics Co., Ltd.  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 18,487,732	12.61	\$ -		\$ 3,548,422	\$ -
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	1,347,791	27.29	-		354,644	-
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	1,099,967	23.27	-		176,596	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	1,172,987	7.62	-		412,221	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	402,828	16.10	-		152,738	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	390,884	13.28	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	794,085	6.76	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	551,840	15.45	-		-	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	487,306	7.71	-		-	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	259,082	32.64	-		-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	1,601,771	18.45	-		-	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	418,710	6.71	-		-	-
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	182,407	6.98	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	273,422	1.82	-		199,551	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,648,463	8.21	-		179,032	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	837,579	12.75	-		-	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd.  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,698,499	(Note 3)	24
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts receivable	18,487,732	(Note 3)	14
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	24,213,440	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	1,347,791	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	8,609,188	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	390,884	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	8,560,529	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	1,099,967	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,094,577	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	1,172,987	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	3,754,454	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	402,828	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,511,492	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,038,175	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	569,829	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	255,954	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	172,983	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,305,528	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	3,293,253	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	551,840	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,458,079	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,484,657	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	140,291	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,220,553	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	259,082	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,192,027	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	794,085	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,604,593	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	487,306	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	9,991,370	(Note 3)	3
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	1,601,771	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	808,036	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	418,710	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	487,740	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	182,407	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	488,260	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	291,945	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	176,446	(Note 3)	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	\$ 152,658	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	127,748	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	111,047	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	409,081	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	273,422	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	188,324	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,593,946	(Note 3)	-
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	6,635,233	(Note 3)	2
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	1,648,463	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,782,666	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	837,579	(Note 3)	1

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2020

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,372,697	\$ 539,579	\$ 539,579	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,945,813	182,302	182,302	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,969,208	943,132	943,132	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	739,511	26,822	26,822	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	915,805	442,493	442,095	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	-	41,856	-	-	- (	50) (	50)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	78,993	5,873	5,873	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	-	-	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	209,520 (	228) (	228)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,987,146	32,386	32,386	Subsidiary
WT MICROELECTRONICS CO., LTD.	ANALOG WORLD CO., LTD.	South Korea	Sale of electronic components	397,230	-	120,000	100.00	411,719	23,932	3,311	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,775,230	1,775,230	62,332,506	100.00	3,852,509	466,854	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belize	General investment	598,677	598,677	21,020,957	100.00	1,091,738 (	687)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belize	Sale of electronic components	85,443	85,443	3,000,100	100.00	59,133 (	12,429)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	\$ 142	\$ 142	5,000	100.00	\$ 5	\$ -	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	142,400	142,400	5,000,000	100.00	2,025,745	295	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	67,609	67,609	5,869,093	23.07	37,830	( 83,542)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	-	521,526	-	0.00	-	( 84,227)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	34,176	34,176	1,200,000	17.65	21,616	( 3,429)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	28,480	28,480	18,924	24.65	27,938	( 2,488)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS INC.	Cayman Islands	Sale of electronic components	814,870	-	32,083,666	54.15	44,334	( 239,199)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	356,787	356,787	12,527,632	100.00	2,077,484	270,651	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	8,857	8,857	311,000	100.00	34,602	( 1,775)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	654,312	654,312	22,974,430	100.00	772,992	53,336	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,673	3,673	1,000,000	100.00	104,946	1,918	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	758,643	758,643	110,000,000	100.00	862,481	142,736	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	32,265	32,265	1,500,000	100.00	258,389	3,296	Note 1	Subsidiary



Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	\$ 3,528	\$ 3,528	500,000	100.00	\$ 2,863	(\$ 717)	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	518,533	518,533	3,800,000	95.47	829,781	9,429	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	2,849	2,849	300,000	100.00	2,058	( 919)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	2,780	2,780	700,000	100.00	3,937	1,058	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTech MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	539,579	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	-	1,367	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,286	( 936)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	49,399	49,399	180,472	4.53	26,557	9,429	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	22,337	22,337	53,505	100.00	206,758	20,274	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	344,568	112,644	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	29	236	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	343,071	72,833	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	531,003	295	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	5,701	19,954	6,000	100.00	16,974	( 61)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components, IC design	40,000	40,000	4,000,000	40.00	35,521	718	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	22,038	22,038	6,000,000	100.00	16,974	( 6)	Note 1	Subsidiary
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	BRILLNICS (HK) LIMITED	Hong Kong	Manufacture of electronic components	1,509,810	1,509,810	53,013,000	100.00	101,599	( 224,644)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
BRILLNICS INC.	BRILLNICS SINGAPORE PTE. LTD.	Singapore	Manufacture of electronic components	\$ -	\$ -	2	100.00	\$ -	(\$ 1,560)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS JAPAN INC.	Japan	Manufacture of electronic components	27,557	27,557	100,000	100.00	13,442	( 22,060)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS (TAIWAN) INC.	Taiwan	Manufacture of electronic components	11,937	11,937	1,193,710	100.00	18,937	5,160	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd.  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to	Footnote
				Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	of December 31, 2020					Taiwan as of December 31, 2020	
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 8,544	2	\$ 8,544	\$ -	\$ -	\$ 8,544	(\$ 1,774)	100.00	(\$ 1,774)	\$ 34,528	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	653,794	2	598,984	-	-	598,984	53,334	100.00	53,334	772,893	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,001,072	2	545,392	-	-	545,392	118,517	100.00	118,517	1,220,364	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	37,878	3	28,480	-	-	28,480	( 936)	100.00	( 936)	44,278	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	145,248	2	18,911	-	-	18,911	( 63,980)	23.07	( 14,760)	3,381	-	Note 8
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
WT MICROELECTRONICS CO., LTD.	\$ 1,200,311	\$ 1,878,745	\$ 27,669,829										

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTech MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

WT Microelectronics Co., Ltd.  
Major shareholders information  
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
WPG HOLDING CO., LTD.	201,393,867	21.81%
ASMEDIA TECHNOLOGY INC.	179,000,000	19.38%
SHAO YANG INVESTMENT CO., LTD.	69,740,426	7.55%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of December 31, 2020, the number of shares held by the chairman under his own name and under the names of others was 111,671,962 shares, and the shareholding ratio was 12.1%.  
The abovementioned information is provided in the "Market Observation Post System".

WT MICROELECTRONICS CO., LTD.  
DETAILS OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 1

Items	Summary						Amount
Petty cash and cash on hand							\$ 1,622
Cash in banks							
Demand deposits							61,953
Checking accounts							7,232
Foreign currency deposits	USD	24,444	Thousand	Exchange	28.48		703,246
	SGD	236	Thousand	Exchange	21.51		
	HKD	386	Thousand	Exchange	3.673		
	EUR	3	Thousand	Exchange	34.94		
	RMB	112	Thousand	Exchange	4.3580		
							<u>\$ 774,053</u>

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 2

Customer name	Summary	Amount	Note
<u>Non-related parties</u>			
A customer		\$ 1,819,364	
B customer		1,407,086	
Others		17,149,731	The balance of each customer has not exceeded 5% of the accounts receivable.
		<u>20,376,181</u>	
Less: Allowance for bad debts		( 199,414)	
		<u>20,176,767</u>	
<u>Related parties</u>			
Morrihan International Corp.		\$ 18,487,732	
WT Microelectronics (Hong Kong) Limited		1,347,791	
WT Technology Pte. Ltd.		1,172,987	
Others		<u>2,122,034</u>	
		<u>23,130,544</u>	
		<u>\$ 43,307,311</u>	

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF INVENTORIES  
DECEMBER 31, 2020  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 3

Items	Summary	Amount		Note
		Cost	Net realisable value	
Merchandise inventory		\$ 30,941,748	<u>\$ 34,913,319</u>	
Less: Allowance for inventory valuation losses		( 679,711)		
		<u>\$ 30,262,037</u>		

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**WT MICROELECTRONICS CO., LTD.**  
**MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2020**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

STATEMENT 4

Name	Opening balance		Addition		Reductions		Ending Balance			Market price or value per share		Pledged to other as collaterals
	Number of shares	Amount	Number of shares	Amount (Note 1)	Number of shares	Amount (Note 2)	Number of shares	Ownership (%)	Amount	Price	Total price	
Wintech Microelectronics Holding Limited	115,323,691	\$ 9,242,563	-	\$ 488,556	-	(\$ 358,422)	115,323,691	99.65%	\$ 9,372,697	-	\$ 9,419,580	None
Morrihan International Corp.	283,760,000	3,677,188	-	943,470	-	( 651,450)	283,760,000	100.00%	3,969,208	-	3,969,267	None
Maxtek Technology Co., Ltd.	70,220,331	1,793,119	-	376,029	-	( 182,002)	70,220,331	100.00%	1,987,146	-	1,740,845	None
Techmosa International Inc.	73,949,070	1,917,116	-	182,303	-	( 153,606)	73,949,070	100.00%	1,945,813	-	1,376,569	None
Nuvision Technology Inc.	28,216,904	823,012	-	459,237	-	( 366,444)	28,216,904	99.91%	915,805	-	916,617	None
BSI Semiconductor Pte. Ltd.	7,544,002	740,094	-	26,823	-	( 27,406)	7,544,002	100.00%	739,511	-	522,117	None
Analog World Co., Ltd.	-	-	120,000	411,719	-	-	120,000	100.00%	411,719	-	324,215	None
MSD Holdings Pte. Ltd.	200,001	219,997	-	-	-	( 10,477)	200,001	100.00%	209,520	-	88,393	None
Milestone Investment Co., Ltd.	4,500,000	66,488	-	13,536	-	( 1,031)	4,500,000	100.00%	78,993	-	82,024	None
Sinyie Investment Co., Ltd.	2,900,000	44,819	-	-	-	-	2,900,000	100.00%	44,819	-	44,819	None
AboveE Technology Inc.	500,000	10,406	-	-	( 500,000)	( 10,406)	-	0.00%	-	-	-	None
		<u>\$ 18,534,802</u>		<u>\$ 2,901,673</u>		<u>(\$ 1,761,244)</u>			<u>\$ 19,675,231</u>		<u>\$ 18,484,446</u>	

Note 1: It arose from capital increase, gains and other comprehensive income in subsidiaries accounted for using equity method.

Note 2: It arose from cash dividends from subsidiaries, proceeds from capital reduction of subsidiaries and losses and other comprehensive income in subsidiaries accounted for using equity method.

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF ACCOUNTS PAYABLE  
DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 5

Supplier name	Summary	Amount	Note
<u>Non-related parties</u>			
F Company		\$ 17,497,206	The balance of each supplier has not exceeded 5% of the accounts payable.
G Company		9,419,624	
H Company		2,711,402	
Others		13,818,028	
		<u>43,446,260</u>	
<u>Related parties</u>			
Nuvision Technology Inc.		\$ 551,840	
Techmosa International Inc.		93,945	
Others		<u>180,866</u>	
		<u>826,651</u>	
		<u>\$ 44,272,911</u>	

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 6

Items	Quantity (in thousands)	Amount
Analog IC	7,074,910	\$ 144,203,343
Discrete Devices	10,525,170	25,265,364
IC Memory	1,864,989	23,351,222
Microcontroller	902,790	20,274,060
Application-Specific IC	305,076	14,350,403
Microprocessor	100,692	8,217,375
Mixed-Signal IC	408,412	6,887,231
Chipset	105,940	5,253,992
Image sensors IC	124,248	4,813,698
Logic IC	1,262,294	3,875,289
Optical Components	36,273	2,072,463
Optical Electronic Components	570,743	1,422,848
Others	2,354,802	28,659,676
		<u>\$ 288,646,964</u>

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF OPERATING COST  
YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 7

	<u>Amount</u>
Inventory at the beginning of the year	\$ 34,094,862
Add : Purchased	280,373,246
Less : Inventory at the end of the year	( 30,941,748)
Inventory transferred to sample expenses	( 17,212)
Inventory transferred to research expenses	( 1,683)
Cost of goods sold	283,507,465
Loss on decline in market value	15,768
Loss on physical inventory and disposal of inventory	165
Operating costs	<u>\$ 283,523,398</u>

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WT MICROELECTRONICS CO., LTD.  
DETAILS OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 8

Items	Selling Expenses	Administrative expenses	Research and development expenses	Impairment loss determined in accordance with IFRS 9	Total	Notes
Wages and salaries	\$ 893,260	\$ 155,560	\$ 188,435	\$ -	\$ 1,237,255	
Freight	341,245	1,420	-	-	342,665	
Depreciation expense	74,422	99,167	5,510	-	179,099	
Entertainment expense	162,718	13,856	1,225	-	177,799	
Insurance expense	62,651	34,318	15,174	-	112,143	
Employee benefit/welfare	64,568	595	-	-	65,163	
Rent expense	24,057	24,867	5,465	-	54,389	
Impairment loss determined in accordance with IFRS 9	-	-	-	49,439	49,439	
Traveling expense	26,602	2,201	10,183	-	38,986	
Other expenses	340,093	192,671	48,336	-	581,100	The balance of each expense account has not exceeded 3% of the total operating expenses
	<u>\$ 1,989,616</u>	<u>\$ 524,655</u>	<u>\$ 274,328</u>	<u>\$ 49,439</u>	<u>\$ 2,838,038</u>	

- VI. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None.

## Chapter 7. Review and analysis of the financial status, financial performance, and risk management

### I. Financial position

#### Comparative analysis of financial status

Unit: NT\$1,000

Item \ Year	2020	2019	Difference	
			Amount	%
Net accounts receivable	60,850,292	44,665,508	16,184,784	36.24
Financial assets at fair value through other comprehensive income - non-current	14,826,321	265,779	14,560,542	5,478.44
Accounts payable	54,945,766	45,689,544	9,256,222	20.26
Common share capital	7,880,260	5,903,358	1,976,902	33.49
Preferred share capital	1,350,000	-	1,350,000	-
Capital surplus	20,094,981	9,531,836	10,563,145	110.82
Undistributed earnings	8,070,791	6,659,975	1,410,816	21.18
Other equity	5,607,964	(791,142)	6,399,106	(808.84)
<p>1. Analysis of changes in ratios (the difference reaches 20% or above and the amount of change reaches 1% of total assets):</p> <p>(1) Net accounts receivable: Accounts receivables in 2020 increased compared with the previous period. This was mainly due to funding considerations that led to the decrease in accounts receivable factoring compared with the previous period.</p> <p>(2) Financial assets at fair value through other comprehensive income - non-current: Resulted from acquisition of shares of other companies in 2020 through financial assets at fair value through other comprehensive income - non-current.</p> <p>(3) Accounts payable: The Group's consolidated operating revenue continued to grow 5.36% in 2020, and accounts payable related to operations increased as a result.</p> <p>(4) Common share capital: The increase in common share capital was due to the continued expansion of the Company's business scale and increase in revenue as well as issuance of new shares for acquisition of shares of ASMedia Technology to meet the demand on working capital in 2020.</p> <p>(5) Preferred share capital: The increase in preferred share capital was due to the continued expansion of the Company's business scale and increase in revenue as well as a cash issue of Class A preferred shares to meet the demand on working capital in 2020.</p> <p>(6) Capital surplus: The increase in capital surplus was due to premium from issuance of new shares for acquisition of shares of other companies and a cash issue of Class A preferred shares.</p> <p>(7) Undistributed earnings: The increase in net income after taxes was mainly due to the continued expansion of the Company's business scale and significant increase in revenue as well as reduced financial costs of borrowing from banks as interest rates fell in the year.</p> <p>(8) Other equity: Resulted from unrealized valuation gains and losses at market price on acquisition of shares of other companies in 2020 through financial assets at fair value through other comprehensive income - non-current.</p> <p>2. Response plan for major changes: The above deviations had no major impact on the Group's financial status, so response plans did not need to be formulated.</p>				

## II. Financial performance

### (I) Comparative Analysis of Financial Performance

Unit: NT\$1,000

Item \ Year	2020	2019	Increase (Decrease)	Difference %
Net operating revenue	353,152,195	335,187,151	17,965,044	5.36
Operating cost	(342,377,773)	(324,386,746)	(17,991,027)	5.55
Operating margin	10,774,422	10,800,405	(25,983)	(0.24)
Operating expenses	(5,458,453)	(5,547,175)	88,722	(1.60)
Operating Profit	5,315,969	5,253,230	62,739	1.19
Non-operating income and expense	(517,200)	(1,944,145)	1,426,945	(73.40)
Pre-tax profit	4,798,769	3,309,085	1,489,684	45.02
Income tax expense	(1,004,193)	(777,838)	(226,355)	29.10
Current period net profit	3,794,576	2,531,247	1,263,329	49.91
Analysis of changes in ratios (the difference reaches 20% or above and the amount of change reaches NT\$50 million or above):				
1. Non-operating income and expenses:				
Mainly due to reduced financial costs at lower interest rates as a result of external factors in 2020.				
2. Income tax expense:				
The increase in income tax expense was mainly due to reduced financial costs leading to increased pre-tax profit in 2020.				

### (II) Expected sales volume and its basis, potential impact on the Group's future financial position and business operations, and response plan

The Group is primarily engaged in the sales of various kinds of electronic components. Due to a wide variety of products and different unit selling prices of each product, it is not appropriate to use sales volume as a measurement base. In terms of the Group's overall sales forecast, according to the market and the development of macroeconomics, as well as the needs of major customers, the Group is expecting to continue showing a positive growth trend in the coming year.

## III. Cash flows

### (I) Analysis of changes in cash flow in the most recent year

Unit: NT\$1,000

2020 beginning cash balance (1)	Net cash inflow from operating activities (2)	Net cash inflow from non-operating activities(3)	December 31, 2020 ending cash balance (1)+(2)+(3)
3,106,631	(1,656,161)	2,176,642	3,627,112
Analysis of changes:			
<ul style="list-style-type: none"> <li>Operating activities: The net cash inflow from operating activities was mainly due to the increase in accounts receivable in 2020.</li> <li>Non-Operating Activities: The net cash inflow from nonoperating activities was mainly due to the issue of Class A preferred shares in 2020.</li> </ul>			

### (II) Improvement plan for insufficient liquidity: There is no liquidity insufficiency.

(III) Cash liquidity analysis for the coming year

Unit: NT\$1,000

Cash at beginning of period (A)	Net cash inflow from operating activities (B)	Net cash inflow from non-operating activities (C)	Cash surplus (deficit) (A)+(B)+(C)	Cash deficit remedial action	
				Investment plan	Financial plan
3,627,112	(11,408,928)	11,035,015	3,253,199	0	0

1. Analysis of changes in cash flow in the coming year (2021):

(1) Net cash flow from operating activities: The Group's revenue is expected to show marginal growth this year. The nature of the Company's distributors has longer accounts receivable collection period than accounts payable payment period. Revenue growth would lead to increased demand for funds and a net cash outflow from operating activities.

(2) Net cash flow from non-operating activities: The Company expects that the cash outflow in the coming year will be a result of the funding needs of operating activities. Funds from operating activities as well as financing will be utilized to turn the cash flows from non-operating activities into net cash inflow for the year.

2. Remedial measures for expected cash shortfalls and liquidity analysis: The Group has no liquidity insufficiency.

IV. Effect of major capital spending on financial position and business operations

The Company did not have any major capital spending in the past year.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

The Company's reinvestments are, in principle, a part of its long-term strategy. In 2020, the reinvestment profit using the equity method was NT\$2,175,222 thousand. The Company will continue using long-term strategy and will not rule out any investment plans with the group that can develop synergistic and complementary effects.

VI. Risk analysis and assessment:

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

The Group's financing activities mainly are in US dollars, and focus on bank loans and proceeds from forfaiting account receivables. In the last two years, the US dollar LIBOR/TAIFX interest rate remained low as the Fed lowered fund rates. Interest rate risk was lower compared to the preceding years. Nevertheless, the Finance Department observes closely changes in the financial market and interest rate market, modifies loans in response to daily funding needs, shortens the timing difference between funding supply and demand in order to keep interest rate expenses effectively under control. Revenue grew by



5.36%, and the financial costs were NT\$990,675,000 in 2020, down from NT\$962,444,000 in 2019 or by 0.28% of the revenue. The percentage was significantly lower than 0.58% in 2019. The Group's risk of interest rate fluctuations is still controlled within a reasonable range, and it has no significant impact on the overall net income after tax.

In terms of exchange rate, the IC components the Group is agent to purchase are mainly priced in USD, and the sales are also denominated in USD. Therefore, the exchange rate changes will affect the revenue and profit of the Group. However, the purchase and sales in USD will offset, the net exposure position in USD is not high. The net foreign currency exchange gain in 2020 was NT\$381,181 thousand, accounting for 0.11% of the overall revenue, which had no significant impact on the overall net income after tax.

In terms of inflation, the Group pays close attention to fluctuations in market prices and maintains good interaction with suppliers and customers to avoid significant impact on the Group due to inflation.

Overall, the Group will adopt a sound and conservative risk management principle in the future, and immediately assess and respond to changes in interest rates and exchange rates and inflation.

- (II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

The Group only focuses on the operations in the industry, and does not engage in high-risk, highly leveraged investments. All investments are carefully evaluated and executed. The Group's engagement in lending and endorsement guarantees is conducted in accordance with the provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees." The purpose of the Group engaging in derivatives trading is to hedge foreign currency denominated financial assets or financial liabilities.

- (III) Future R&D projects and expected R&D expenses:

The Group is mainly a professional marketing distributor for electronic components. In response to the rapid changes in the semiconductor industry, the only way to create added value of products and business opportunities is through professional division of labor to provide customers with technical support solutions. In the future, the Group will continue to cultivate a high-quality team of field application engineers (FAE) to achieve smooth shipments and enhance industrial competitiveness.

## Major R&D projects and expected R&D expenses to be invested in the future

Unit: NTD

Project name	Current progress	Expected development expenses to be invested	Time of completion	Key impact factors in the future
Utilize AI to strengthen self-adaptive real-time positioning and mapping frameworks	Develop optical and imaging systems and other hardware structures Assessment of environmental and AI models and software development kits apply.	NT\$5,000,000	2021/12/1	1. Matching merging of dot cloud and image 2. Identification of AI-enabled moving training 3. Response time 4. Set distancing parameters for different objects:

- (IV) Major changes in government policies and laws at home and broad and the impact on the Group's financial position and business activities:

The group's law, finance, accounting and stock affair specialists are responsible for collecting important information regarding domestic and foreign markets and regulatory changes. In addition, in order to appropriately react to domestic and foreign changes and legal reforms, they consult with professionals whenever it is necessary.

- (V) Effects of changes in technology and industry on the Group's financial position and business activities, and response measures:

The R&D units and investor relations units of the Group are constantly monitoring the impact of technology and industry changes on the Group. At the same time, the R&D unit has also strengthened the development of high value-added and high-margin products, which has promoted the Group's products to be more diversified and advanced in order to stabilize the source of profit. As of the present time, no technology changes and industry changes have affected the Group's financial position and business activities.

- (VI) Impact of corporate image change on risk management and response measures:

The Group's business philosophy is based on the principle of "professional ethics and sustainable management", adhering to a decent corporate image, implementing sound risk control and achieving outstanding performance. Over the years, the Group has been awarded the Import and Export Excellence Award by the Bureau of Foreign Trade, ranked among large-scale enterprises in Taiwan by the China Credit Information Service, awarded the Benchmarking Award by the Commonwealth Magazine, ranked among the top 1000 Business Survey in Revenue and the Revenue Growth Award by the Business Weekly, etc. At present, due to the Company's good corporate image, there have been no corporate crisis

management matters due to change in corporate image.

(VII) Expected benefits and potential risks of merger and acquisition: None.

(VIII) Expected benefits and potential risks of capacity expansion: The Group is mainly engaged in the semiconductor distributors industry and has no plants and equipment.

(IX) Risks associated with over-concentration in purchase or sale and response measures:

The Group is primarily engaged in the distribution of semiconductors components. Customers and suppliers are mainly world renowned companies. In order to increase the diversity of customers and suppliers, the Group not only maintains good relationships with both sides, but also aggressively seeks new customers and develops new product lines. As a result, there has been no risk of buyer and seller over-concentration in recent years.

(X) Effects and risk of large-scale share transfer or changes in directors, supervisors, or major shareholders with more than 10% shares on the Group, and the response measures:

The Company's directors (no supervisors) and major shareholders with more than 10% shares are very optimistic about the Group's prospects based on the Group's business philosophy and stable profit base. However, each shareholder may make appropriate shareholding planning based on personal investment and tax considerations. However, based on the needs to keep the investing public's confidence, if directors or major shareholders have a large amount of share transfer or change of shareholding, they will fully communicate with the Board of Directors or the management team before they execute the transactions at the appropriate time. Thus, it shall not have adverse effects and risks on the Company's operations and shareholders' equity.

In addition, the Company has not had any a large amount of share transfer or change of the Company's shareholdings from directors (no supervisors) and major shareholders with more than 10% shares in the most recent year and as of the printing date of the annual report.

(XI) Impact of change in management rights on the Company, associated risk and response measures:

The Group has a strong team of professional executive officers, and changes in management rights do not affect the operations of the Group.

(XII) For litigious or non-litigious matters, state the major litigation, non-litigation or administrative litigation proceedings that has been determined or is still in litigation of the Group and the Group's directors, supervisors, presidents, de facto responsible person, major shareholders with more than 10% shares, and subordinate companies. If the result may have material impacts on shareholders' equity or stock price, disclose the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings, and the handling as of the printing date of the annual report: None.

(XIII) Other major risks and response measures:

(1) Information security protection and response

The CIO is the person in charge of assembling and leading the information security team. The team is responsible for coordinating, planning, executing, and analyzing

information security events. The team consists of a strategy group, a technology group, and an audit group.

1. The strategy group is responsible for implementation of the information security policy and related equipment.
2. The technology group is responsible for actual certification testing, implementation, and subsequent support for implementation of the information security policy and related equipment.
3. The audit group is responsible for performing monthly and quarterly audits of the information security policy and its establishment and presenting audit reports.

The information security team performs regular planning and review of information security protection measures according to the PDCA cycle.

1. Implementing anti-virus endpoint protection software on personal computers and servers.
2. Internet firewall shall be equipped with application identification capability to enhance the defense capability against external attacks.
3. Intranet firewall should list explicitly allowed services .
4. The identification module automatically separates employees from visitors and segregates access paths.
5. An advanced threat protection module is added against junk mail, and prevents phishing emails from stealing sensitive data.
6. The active alert system automatically notifies threats occurred and configuration changed.
7. Regular report audits.

Information security is the Company's last line of defense against significant impact. Therefore, in addition to continuously strengthening the investment in information security equipment, the Company also continues to increase investment in information security equipment and software and strengthen data redundancy. Such measures include:

1. Local data snapshot, provide the fastest way to restore data when hardware is not damaged .
2. Offsite replication, replicate data to backup data center over 30km in real-time and create remote data snapshot for double protection .
3. Offsite tape, daily full backup and store the tape offsite .
4. Regularly perform switch main data center to the remote backup center so as to ensure disaster recovery in the shortest time possible .

#### (2) Impact of COVID-19 and response measures

The COVID-19 pandemic impacted the supply chains of IT products, and may accelerate the transfer and distribution of supply chains. It will also cause forecasts of

global long term economic growth to be revised downward. The Group will continue to closely monitor changes in the macroenvironment, and flexible adjust the organization and business activities, as well as increase working capital, to respond to various changes.

(3)Supplier strategy adjustments and response measures

The Company will integrate and adjust resources in response to strategy adjustments made by suppliers, e.g., TI cancels its distributors and switch to a directly supply model, in order to accelerate the growth of other suppliers and add competitive new suppliers and products to maximize the Company's benefits.

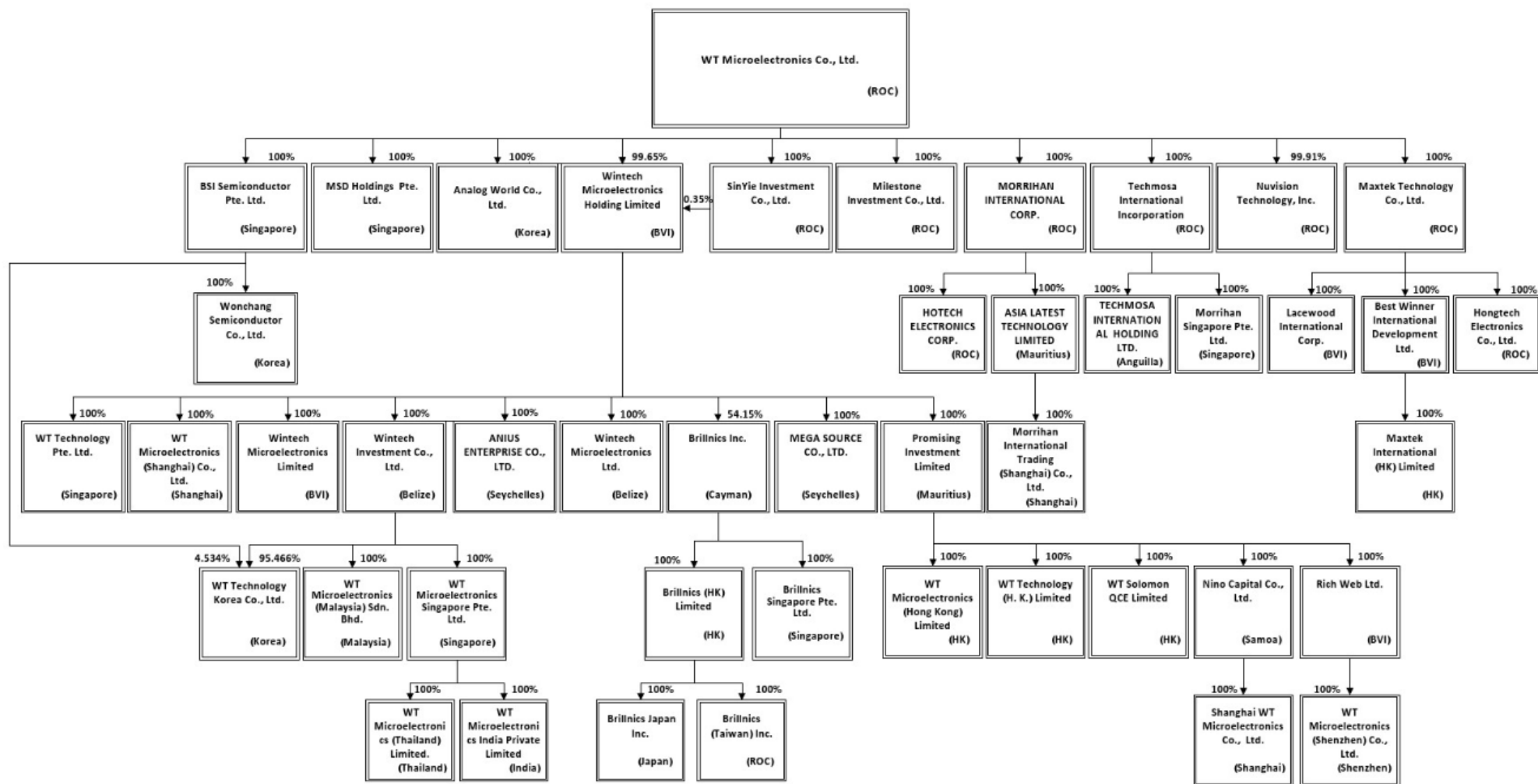
VII. Other important matters: None.

## Chapter 8. Special notes

## I. Profiles of affiliates enterprises

(I) Organization chart of affiliated enterprises

December 31, 2020



## (II) Information on affiliated enterprises

Name of enterprise	Date of Establishment	Address	Paid-in capital	Main business and products
Wintech Microelectronics Holding Limited	1998.01.08	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD115,731,160	Holding
Sinyie Investment Co., Ltd.	2004.08.20	12F.-3, No. 171, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 29,000,000	Investment
Milestone Investment Co., Ltd.	2000.10.06	12F.-3, No. 171, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 45,000,000	Investment
Nuvision Technology Inc.	1998.03.30	4F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 282,424,180	Trading of electronic components
Morrihan International Corp.	1981.07.15	4F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 2,837,600,000	Trading of electronic components
Hotech Electronics Corp. (Undergoing liquidation)	1988.07.22	10F.-7, No. 386, Shizheng Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	NTD 5,000,000	Trading of electronic components
Maxtek Technology Co., Ltd.	1991.12.16	6F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD702,203,310	Trading of electronic components
Hongtech Electronics Co., Ltd.	2005.09.07	14F.-1, No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD115,000,000	Trading of electronic components
Techmosa International Inc.	1989.04.14	8F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 739,490,700	Trading of electronic components
Asia Latest Technology Limited	2000.09.06	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 1,120,000	Holding
Morrihan International Trading(Shanghai)Co., Ltd.	2003.07.17	Room 702, 7F., No. 20, Lane 1188, Shenhong Road, Minhang District, Shanghai, China	USD 1,330,000	Trading of electronic components
WT Microelectronics(Shanghai)Co.,Ltd.	2005.10.10	Room 801, 7F., No. 20, Lane 1188, Shenhong Road, Minhang District, Shanghai, China	USD 35,150,000	Trading of electronic components
Promising Investment Limited	1999.09.27	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 62,332,506	Investment
WT Technology Pte. Ltd.	2006.12.29	79 Anson Road#07-03 Singapore(079906)	USD 5,000,000	Trading of electronic components
Wintech Microelectronics Ltd.	2000.09.07	60 Market Square, P.O. Box 364, Belize City, Belize	USD 3,000,100	Holding
Wintech Microelectronics Limited	2003.03.18	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 5,000	Holding
Wintech Investment Co., Ltd.	2000.09.07	60 Market Square, P.O. Box 364, Belize City, Belize	USD 21,020,957	Holding
Anius Enterprise Co., Ltd.	2014.3.18	1st Floor,#5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahé, Republic of Seychelles	US\$1	Trading of electronic components
Mega Source Co., Ltd.	2014.3.18	1st Floor,#5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahé, Republic of Seychelles	US\$1	Trading of electronic components
WT Microelectronics(Hong Kong)Limited	1999.11.24	Room 2001E, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, N.T. Hong Kong	USD 12,527,632	Trading of electronic components
WT Technology(H.K.)Limited	2001.01.10	7/F., Shield Industrial Centre, 84-92 Chai Wan Kok Street, Tsuen Wan, N.T., Hong Kong	HKD 1,000,000	Trading of electronic components
Nino Capital Co., Ltd.	2000.09.11	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 311,000	Holding

Name of enterprise	Date of Establishment	Address	Paid-in capital	Main business and products
Rich Web Ltd.	2001.07.03	3 <sup>rd</sup> Floor, Yamraj Building, Market Square, Road Town, Tortola, British Virgin Islands	USD 22,974,430	Holding
WT Solomon QCE Limited	1984.10.12	Room 2001E, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, N.T. Hong Kong	HKD 110,000,000	Trading of electronic components
Shanghai WT Microelectronics Co., Ltd.	2001.01.08	Room 1612, No.118 Xinlin Road, Waigaoqiao Free Trade Zone, Shanghai, China	USD 300,000 RMB2,483,040	Trading of electronic components
WT Microelectronics(Shenzhen)Co., Ltd.	2002.04.19	11-12F, Global Digital Building, No. 9 Gaoxin Central Avenue 3rd, Science & Industry Park, Nanshan District, Shenzhen, China	HKD 178,000,000	Trading of electronic components
WT Microelectronics Singapore Pte. Ltd.	2001.10.03	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 1,500,000	Trading of electronic components
WT Microelectronics(Thailand)Limited.	2004.01.15	No. 202, Le Concord Building, Room 1002, 10th Floor, Road Rajdapisek Sub-district Huaykwang District Huaykwang Province Bangkok	Baht 3,000,000	Trading of electronic components
WT Microelectronics India Private Limited	2019.06.03	10, 2nd and 3d floor, 100Ft Road, JP Nagar, 4th Phase, Ward no. 57, BANGALORE, Bangalore, Karnataka, India, 560078	INR7,000,000	Trading of electronic components
WT Microelectronics(Malaysia)Sdn. Bhd.	2003.02.20	60, Sri Bahari Road, 10050, Georgetown, Pulau Pinang, Malaysia	MYR 500,000	Trading of electronic components
BSI Semiconductor Pte. Ltd.	2004.04.28	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 7,544,002	Trading of electronic components
Morrihan Singapore Pte. Ltd.	1992.07.04	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 9,500,000	Trading of electronic components
Wonchang Semiconductor Co., Ltd.	1991.10.01	Business Bldg Chungang Circulation Complex Ra-dong 4416ho, 4503ho, #15, Gyeongin-ro 53-gil, Guro-gu, Seoul, Korea	KRW 535,050,000	Trading of electronic components
WT Technology Korea Co., Ltd.	2007.03.01	3F, Hanwon Bldg., 19, Hwangsaoul-Ro 258 Beon-Gil, Bundang-Gu, Seongnam-Si, Gyeonggi-Do, Korea	KRW 1,990,236,000	Trading of electronic components
MSD Holdings Pte. Ltd.	2008.06.18	2 Serangoon North Avenue 5#05-01 Singapore(554911)	USD 200,000 SGD 1	Trading of electronic components
Techmosa International Holding Ltd.	2009.08.21	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla	USD 1	Holding
Lacewood International Corp.	1995.11.27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD2,950,000	Trading of electronic components
Best Winner International Development Ltd.	2003.09.09	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD600,000	Holding
Maxtek International(HK)Limited	2003.10.20	Room 103, 1/F., Hutchison Logistics Centre, 18 Container Port Road South, Kwai Chung, N.T., Hong Kong	HKD6,000,000	Trading of electronic components



Name of enterprise	Date of Establishment	Address	Paid-in capital	Main business and products
Analog World Co., Ltd.	1993.07.01	7F, 19, Hwangsaoul-ro 258beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea	KRW 600,000,000	Trading of electronic components
Brillnics(Taiwan)Inc.	2014.05.15	4F., No. 49, Guangming 6th Rd., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	NTD 11,937,100	Trading of electronic components
Brillnics Inc	2014.04.25	P.O. BOX 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	USD 53,212,535.59	Holding
Brillnics Singapore Pte. Ltd.	2019.01.11	79 ANSON ROAD,#07-03, SINGAPORE(079906)	SGD 2	Trading of electronic components
Brillnics(HK)Limited	2014.03.10	Room 712, Wellborne Commercial Centre, No.8 Java Road North Point Hong kong	USD 53,013,000	Trading of electronic components
Brillnics Japan Inc.	2014.02.28	6-21-12 Minami-Oi, Shinagawa-ku, Tokyo, 140-0013 Japan	JPY 100,000,000	Trading of electronic components

(III) Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

(IV) Industries covered by the operations of all affiliates:

The Group's business is mainly engaged in the trading of electronic components of computer peripherals and the holding business. Please refer to item 2.

(V) Information on Directors, Supervisors, and Presidents of affiliates:

Unit: shares; %

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding Percentage
Wintech Microelectronics Holding Limited	Directors	Cheng, Wen-Tsung	—	—
Maxtek Technology Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	70,220,331	100.00
Hongtech Electronics Co., Ltd.	Chairperson	Maxtek Technology Co., Ltd. Legal person representative: Cheng, Wen-Tsung	11,500,000	100.00
Sinyie Investment Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	2,900,000	100.00
Milestone Investment Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	4,500,000	100.00
Nuvision Technology Inc.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	28,216,904	99.91
	Directors	Legal Person Representative of WT Microelectronics Co., Ltd.: Hsu, Wen-Hung	28,216,904	99.91
	Directors	Legal Person Representative of WT Microelectronics Co., Ltd.: Hsu, Pi-Chun	28,216,904	99.91
	Supervisor	Yang, Hsing-Yu	—	—

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding Percentage
Morrihan International Corp.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	283,760,000	100.00
Hotech Electronics Corp. [Undergoing liquidation]	Supervisor	Legal person representative of Morrihan International Corp.: Yang, Hsing-Yu	500,000	100.00
Techmosa International Inc.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	73,949,070	100.00
Asia Latest Technoloty Limited	Directors	Cheng, Wen-Tsung	—	—
Nino Capital Co., Ltd.	Directors	Cheng, Wen-Tsung	—	—
Anius Enterprise Co., Ltd.	Directors	Cheng, Wen-Tsung	—	—
Mega Source Co., Ltd.	Directors	Cheng, Wen-Tsung	—	—
Rich Web Ltd.	Directors	Cheng, Wen-Tsung	—	—
Morrihan International Trading (Shanghai) Co., Ltd.	Executive Director	Jerry Chang	—	—
	Supervisor	Ming Wang		
WT Microelectronics (Shanghai) Co., Ltd. WT	Chairperson	Hsu, Wen-Ting	—	—
	Directors	Alvin Hsu		
	Directors	Chiang, Li Fen	—	—
	Supervisor	Ming Wang	—	—
Promising Investment Limited	Directors	Cheng, Wen-Tsung	—	—
WT Technology Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
Wintech Microelectronics Ltd.	Directors	Cheng, Wen-Tsung	—	—
Wintech Microelectronics Limited	Directors	Cheng, Wen-Tsung	—	—
Wintech Investment Co., Ltd.	Directors	Cheng, Wen-Tsung	—	—
WT Microelectronics India Private Limited	Directors	Ghee Teik Hoe	—	—
	Directors	MILIND NIVRUTTY SAHANIE		
WT Microelectronics (Hong Kong)Limited	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Chen, Hung-Shi	—	—
WT Technology(H.K.)Limited	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding Percentage
WT Solomon QCE Limited	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Chen, Hung-Shi	—	—
Shanghai WT Microelectronics Co., Ltd.	Executive Director	Hsu, Wen-Ting	—	—
	Supervisor	Ming Wang		
WT Microelectronics (Shenzhen)Co., Ltd.	Executive Director	Hsu, Wen-Ting	—	—
WT Microelectronics Singapore Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
WT Microelectronics (Thailand)Limited.	Directors	Ghee Teik Hoe	—	—
	Directors	Mr. PREECHA CHITVATANAWONG	—	—
WT Microelectronics (Malaysia)Sdn. Bhd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	LIM SAW IM	—	—
BSI Semiconductor Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
Morrihan Singapore Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Pi-Chun	—	—
Wonchang Semiconductor Co.,Ltd.	Representative Director	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Yoo, Hyung-Jin	—	—
	Supervisor	Yang, Hsing-Yu	—	—
WT Technology Korea Co., Ltd.	Representative Director	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Yoo, Hyung-Jin	—	—
	Supervisor	Yang, Hsing-Yu	—	—

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding Percentage
MSD Holdings Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
Techmosa International Holding Ltd.	Directors	Cheng, Wen-Tsung	—	—
Lacewood International Corp.	Directors	Cheng, Wen-Tsung	—	—
Best Winner International Development Ltd.	Directors	Cheng, Wen-Tsung	—	—
Maxtek International(HK)Limited	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
Analog World Co., Ltd.	Representative Director	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Yoo, Hyung-Jin	—	—
	Supervisor	Yang, Hsing-Yu	—	—
Brillnics(Taiwan)Inc.	Chairperson	Brillnics (HK) Limited Legal person representative: Cheng, Wen-Tsung	—	—
	Directors	Brillnics (HK) Limited Legal person representative: Hsu, Wen-Hung	—	—
	Directors	Brillnics (HK) Limited Legal person representative: Wu, Shou-Guo	—	—
Brillnics Inc.	Directors	Cheng, Wen-Tsung	—	—
	Directors	Hsu, Wen-Hung	—	—
	Directors	Wuu, Shou-Guo	—	—
Brillnics Singapore Pte. Ltd.	Directors	Cheng, Wen-Tsung	—	—
Brillnics(HK)Limited	Directors	Cheng, Wen-Tsung	—	—
Brillnics Japan Inc.	Representative Director	Junichi Nakamura	—	—
	Directors	Cheng, Wen-Tsung	—	—
	Directors	Wuu, Shou-Guo	—	—
	Supervisor	Yang, Hsing-Yu	—	—

## (VI) Overview of affiliated enterprises

Unit: NT\$1,000

Name of enterprise	Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Current profit and loss (after tax)	EPS (NT\$) (after tax)
Wintech Microelectronics Holding Limited	3,296,023	9,419,579	0	9,419,579	0	(452)	539,579	5
WT Microelectronics Singapore Pte. Ltd.	32,265	1,090,671	832,282	258,389	4,152,701	(15,415)	3,296	2
Milestone Investment Co., Ltd.	45,000	82,034	10	82,024	0	(32)	5,873	1
Promising Investment Limited	1,775,230	3,852,509	0	3,852,509	0	(11)	466,854	7
Wintech Microelectronics Ltd.	85,443	2,494,437	2,435,303	59,133	9,417,899	(55)	(12,429)	(4)
Wintech Investment Co., Ltd.	598,677	846,744	0	846,744	0	(52)	(687)	0
WT Microelectronics(Hong Kong)Limited	356,787	6,776,816	4,699,332	2,077,484	28,864,688	307,019	270,651	22
Nino Capital Co., Ltd.	8,857	34,602	0	34,602	0	0	(1,775)	(6)
Rich Web Ltd.	654,312	772,992	0	772,992	0	0	53,336	2
WT Technology(H.K.)Limited	3,673	105,034	87	104,946	296	211	1,918	2
Shanghai WT Microelectronics Co., Ltd.	8,544	38,105	3,577	34,528	66,384	1,395	(1,774)	0
WT Microelectronics(Shenzhen) Co., Ltd.	653,794	2,271,478	1,498,587	772,891	3,500,322	74,194	53,334	0
WT Microelectronics(Malaysia) Sdn., Bhd.	3,528	3,703	840	2,863	6,473	(672)	(717)	(1)
Wintech Microelectronics Limited	142	5	0	5	0	0	0	0
WT Microelectronics(Thailand)Limited.	2,849	2,668	607	2,061	9,923	(912)	(919)	(3)
WT Microelectronics India Private Limited.	2,780	5,740	1,804	3,936	21,247	1,061	1,058	2
Sinyie Investment Co., Ltd.	29,000	46,895	2,077	44,818	0	0	0	0
Nuvision Technology Inc.	282,424	5,337,829	4,421,212	916,617	16,205,041	550,072	442,493	16
AboveE Technology Inc.	0	0	0	0	0	(84)	(50)	0
WT Microelectronics(Shanghai) Co., Ltd.	1,001,072	4,840,051	3,619,689	1,220,362	7,698,360	141,526	118,517	0
WT Technology Pte. Ltd.	142,400	3,503,595	1,477,850	2,025,745	12,014,351	9,131	295	0
Maxtek Technology Co., Ltd.	702,203	2,803,978	1,063,134	1,740,844	6,377,515	61,015	32,386	0
Hongtech Electronics Co., Ltd.	115,000	1,450,122	1,107,050	343,072	4,413,591	100,869	72,833	6

Name of enterprise	Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Current profit and loss (after tax)	EPS (NT\$) (after tax)
Best Winner International Development Ltd.	17,088	19,256	0	19,256	0	(56)	(61)	(10)
Lacewood International Corp.	84,016	537,554	6,551	531,003	708,123	1,206	295	10
Maxtek International (HK)Limited	22,038	17,073	99	16,974	0	(47)	(6)	0
WT Solomon QCE Limited	404,030	1,652,099	997,151	654,948	10,652,549	170,919	142,736	1
Morrihan International Corp.	2,837,600	30,604,440	26,635,174	3,969,266	126,235,167	1,259,715	943,132	3
Hotech Electronics Corp.	5,000	0	0	0	0	0	1,367	3
Asia Latest Technology Limited	31,898	44,286	0	44,286	0	0	(936)	(1)
Morrihan International Trading(Shanghai)Co., Ltd.	37,878	32,906	(11,372)	44,278	0	(184)	(936)	0
BSI Semiconductor Pte. Ltd.	162,271	522,965	848	522,117	0	(72)	26,822	4
Morrihan Singapore Pte. Ltd.	204,345	1,997,609	1,653,041	344,568	10,406,143	129,249	112,644	12
Wonchang Semiconductor Co., Ltd.	13,938	305,566	99,105	206,461	630,503	17,989	20,274	375
WT Technology Korea Co., Ltd.	51,846	903,289	291,912	611,377	3,206,903	26,881	9,429	2
Techmosa International Inc.	739,491	3,180,671	1,804,084	1,376,587	6,136,925	184,439	182,302	2
Techmosa International Holding Ltd.	0	29	0	29	0	(19)	236	236,334
MSD Holdings Pte. Ltd.	5,696	88,739	346	88,393	0	(82)	(228)	(1)
Anius Enterprise Co., Ltd.	0	0	0	0	0	0	0	0
Mega Source Co., Ltd.	0	0	0	0	0	0	0	0
Analog World Co., Ltd.	15,630	404,358	80,143	324,215	251,874	630	4,184	35
Brillnics Inc.	1,515,493	100,215	17,631	82,584	0	(17,744)	(244,018)	(8)
Brillnics (HK) Limited	1,509,810	120,293	18,712	101,581	472,953	(198,189)	(224,644)	(4)
Brillnics Singapore Pte. Ltd.	0	2,776	4,332	(1,556)	1,182	(1,485)	(1,560)	(779,785)
Brillnics Japan Inc.	26,863	79,834	66,752	13,082	298,642	(15,265)	(22,060)	(221)
Brillnics (Taiwan) Inc.	11,937	52,405	33,143	19,262	144,455	6,502	5,160	4

Note: The financial statements have been audited or reviewed by an independent auditor in 2020; the balance sheet is translated using the spot exchange rate at year-end, while P&L is translated using the YTD average spot exchange rate.

(VII) Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement: Please refer to page 179 to page 279.

(VIII)Affiliation report: N/A.

- II. Private placement of securities in the most recent year and as of the printing date of the annual report:

The shareholders' meeting passed a resolution on March 27, 2020. The resolution approved a private placement of common shares and Class B and Class C preferred shares up to a total of 170,000,000 shares. According to Article 43-6 of the Securities and Exchange Act, a private placement may be carried out in installments within one year of the date of the resolution of the board of directors. The deadline for executing this proposal is March 26, 2021. Given the lack of a suitable counterparty at present, the Board of Directors passed a resolution on February 25, 2021 to not proceed with the private placement.

- III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

- IV. Other supplemental information: None.

- V. Supplementary information disclosure:

The Group's Key Performance Indicators:

- (I) Financial indicators:

Indicator	Formula	Target KPI	2019	2020
Debts Ratio	Total Liabilities / Total Equity	<275%	332%	184%
Current Ratio	Current Assets / Current Liabilities	>110%	127%	134%

- (II) Performance indicators:

Indicator	Formula	Target KPI	2019	2020
Average days of collection	365 / Average Collection Turnover	90	45	56
Average days of sales	365 / Average Inventory Turnover	60	52	48

Chapter 9. Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report:

Please refer to the important resolutions of the shareholders' meeting and the Board of Directors meeting in the most recent year up to the printing date of the annual report.