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Annual Report

Faraday Technology Corporation
Annual Report 2020

1. Company Spokesperson and Deputy Spokesperson

Spokesperson

Name: Wen-Ju Tseng

Title: Chief Financial Officer

Phone: (03) 578-7888

Deputy Spokesperson

Name: Evan Ke

Title: Department Head

Phone: (03) 578-7888

Email: ir@faraday-tech.com

2. Address and telephone number of the head office, branch office and factory

Address: No.5, Li-Hsin Rd.III, Hsinchu Science Park, Hsinchu City, Taiwan 300, R.O.C.
4th Floor, No. 396, Section 1, Neihu Road, Neihu District, Taipei City
Floor 10-1, No. 30 Zhongzheng South Road, Yongkang District, Tainan City

Phone: (03) 578-7888
(02) 2627-5988
(06) 282-8686

3. Name, address, website and telephone number of stock transfer institution

Name: Horizon Securities Co., Ltd.

Address: 3rd Floor, No. 236, Section 4, Xinyi Road, Taipei City

Website: www.honsec.com.tw

Phone: (02) 2700-8899

4. The names of the CPAs of the most recent annual financial report, name of the firm, address, website address and telephone number.

CPAs: Wan-Ju Chiu and Hsin-Min Hsu

Firm Name: Ernst & Young

Address: 9th Floor, No. 333, Section 1, Keelung Road, Taipei City

Website: www.ey.com.tw

Phone: (02) 2757-8888

5. Name of venue for trading of listed overseas securities and the way to inquire about the information of the overseas securities

Not applicable

6. Company website www.faraday-tech.com

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I. Letter to Shareholders

Dear shareholders,

The world went through ups and downs throughout 2020. Due to the impact of macroeconomic instability caused by the pandemic and currency fluctuations, consumer demand has become uncertain. Facing of all challenges in 2020, Faraday was able to develop strategies early in order to protect existing long-term clients. Aside from continuous growth of Faraday’s overall revenue, the number of ASIC orders have also been stable, enabling the company to remain competitive and industry-leading. In recent years, the ASIC market has been thriving amid the China–US trade war and the emerging Internet of Things (IoT) trends. Not only has the order value of Faraday NRE been increasing for 6 consecutive years, the company’s mass production revenue has also grown 2 years in a row. With the efforts of all employees, the annual collective revenue reached 5.5 billion NTD with basic earnings per share of 1.08 NTD.

The 2020 main operating results of Faraday are as follows:

- The annual mass production revenue increased 18% and reached 3.6 billion NTD, which indicates continuous growth for 2 consecutive years. The Company entered its next growth cycle as it saw a significant increase in its mass production. In 2020, there were new business opportunities on top of existing projects. The contribution of new businesses is expected to become the Company’s driving force in 2021, contributing more than half of the revenue. These businesses are mostly niche applications that Faraday has worked on over the years, characterized by a long life cycle and not a boom and bust cycle, which is also the Company’s long-term goal. In addition, better service for customers is expected in the future through supports from several major clients in hopes of achieving steady and better sales performance.

- The number of ASIC orders remains strong, while the order value of NRE reached a high level for 6 consecutive years. Despite the impact of the pandemic in 2020, Faraday has maintained an excellent order performance. The partnership between Faraday and its clients remains steady as they continue to grow together with the help of a complete self-developed intellectual property core (IP). There has been a continuous increase in the average revenue per order of Faraday’s ASIC cases due to the upgrades in manufacturing process and design, which is a strong advantage when it comes to design service. ASIC orders have been growing in many rapidly-developed areas, including automation applications, audiovisual multimedia, artificial intelligence (AI), network communication and a multitude of niche products. Most of them are practical applications which Faraday focuses on.

- The ASIC and IP of Faraday complement each other. From its mainstream process to advanced process, Faraday consistently develops IP resolutions through different platforms, enabling it to manage the risk of ASIC design, as well as boost its competitiveness and establishment of IP. The Company utilizes vertical integration which also serves as its unique competitive advantage, through the self-developed ASIC IP mode that generates considerable synergy and return on investment. In 2020, the revenue of IP was 840 million NTD, which remained strong.

- Faraday not only seeks perfection in terms of sales performance and technology, but also dedicated to fulfill its corporate social responsibility. In 2019, the Company established a Corporate Sustainability Commission in charge of developing sustainable corporate strategies and initiatives, with the purpose of strengthening corporate governance, protecting the environment and implementing social responsibility. The Company has been committed to “corporate governance, supply chain sustainability, environmental sustainability, employee-friendly workplace, social feedback” as its main goals, along with its vision of “human-orientation, co-existence with the environment, co-prosperity with the society”. It cooperates with stakeholders in order to achieve sustainable growth for both the company and the society. Faraday is also the first ASIC design service company in support of TCFD (Task Force on Climate-related Financial Disclosure), and one of the top 30 supporting companies listed on the official website of TCFD.

Faraday continues to innovate and invest in research and development. In 2020, its significant technological breakthroughs and achievements included:

- The Company’s ASIC design platform successfully created more than 10 AIoT designs, adopting the 28 nm to 55 nm process of United Microelectronics Corp. as well as edge computing devices with speech and image recognition, wearable devices, smart home appliances and many other AIoT applications.

- Successfully rolled out the programmable SerDes PHY of 28Gbps on the 28 nm HPC process platform of United Microelectronics Corp; it not only shortens the design cycle of chips significantly, but also assists in driving the development of fast Ethernet of 100G, PCIe 4.0, 5G and most xPON photonic network infrastructure.

- Successfully completed the IP verification of Gigabit Ethernet GPHY on the 40LP process platform of United Microelectronics Corp. and allowed authorized use for clients.

- Successfully released the latest development platform of SoCreative!V™ A500 SoC, adopting the 28 nm HPC process of United Microelectronics Corp. and integrating the quad-core microprocessor of ARM Cortex-A53 whose speed can reach 1.4GHz; it is equipped with several types of high speed IO transmission interface, providing an eclectic verification plan of platform development in 5G, network communication, AIoT, high-resolution projectors, multimedia and multi-function printers and many other high-efficiency applications.

- Successfully introduced the display IP interface into many novel monitors of ASIC; the chip applications include 4K/8K full HD projectors, Pico display devices of mini-projectors, car augmented reality head-up displays, etc.

- Rolled out the development platform of Ariel™ Internet SoC which adopted eFlash techniques of Infineon SONOS; compared to the previous generation 55nm Uranus+™ platform, the development platform of Ariel SoC is able to reduce 35% of the operating power consumption, which complements the low power consumption SoC design requirement of smart Internet of Things, AIoT, industrial internet of things (IIoT), smart grid, wearable devices and portable devices.

- The 22 nm basic component IP has been used by several clients. The IC product applications include internet surveillance camera SoC, true wireless stereo headphone SoC, Internet of Things SoC and voice-activated artificial intelligence processor.

- The memory compiler of 28 nm embedded high voltage（eHV）process has been adopted by several large-scale chip companies selling mobile device OLED display drivers. Several projects are taped out one after another, offering the advantages of power consumption, function and area for related driving chips and accelerating the integrated design.

In the following year, despite the uncertainty over the industry and overall environment, Faraday aims to accelerate its revenue contribution through long-labored niche applications. The Company will continue to maintain demand for novel applications, and in the meantime, proceed to optimize its IP layout, commissioned design, product applications and client portfolio in order to drive the virtuous circle of company operations and continue creating competitive advantages and long-term value for the Company and its clients. In the end, we would like to thank you again for your long-term support for Faraday Technology. All staff members will continue to work hard so as to create maximum value for our shareholders.

Best wishes to you all,

Chairman Chia-Tsung Hung

President Kuo-Yung Wang

II. Company Profile

1. Date of establishment

   June 10, 1993

2. Company history

June 1993	Faraday Technology was established.
March 1995	Completed the development of key components of the National Science Council, "Technology Development Plan for Applied Integrated Circuit Component Database ".
January 1996	Launched SIP business.
September 1996	Completed the 0.35um standard component database.
November 1997	Completed the 0.25um standard component database development.
October 1999	The Company’s stock was officially listed on the OTC market.
June 2001	Entered into an alliance with the world's largest SIP supplier ARM for joint marketing.
July 2002	The USB2.0 physical layer IP passed USB-IF certification.
August 2002	The Company’s stock was listed on TWSE.
September 2002	Passed ISO9001: 2000 international quality certification.
October 2002	Introduced Serial ATA IP.
December 2002	Signed the SIP Mall Construction Plan with the Ministry of Economic Affairs.
October 2003	Hosted the first USA Faraday Technology’s Technology Forum.
June 2004	Launched high-resolution MPEG-4 solution.
September 2004	Launched MPEG4/JPEG multimedia application platform.
September 2004	Launched PCI Express high-speed interface solution.
November 2004	Established "Neihu R&D Center" to expand the R&D lineup of SIP.
December 2005	”Won the "Research and Development Achievement Award" of the Science Park.
August 2006	Signed an ASIC design and distribution partnership agreement with Arrow Electronics, North America's largest semiconductor distributor, to expand the North American market.
September 2006	Officially launched the R&D center in Tainan Science Industrial Park, Taiwan to actively recruit local outstanding scientific and technological talents and strengthen research and development.
October 2006	Participated in the Japan International Flat Panel Display Exhibition for the first time, bringing the complete product line of the flat panel display business to the international market.
November 2006	Launched SerDes IP.
January 2007	Japan OKI, Faraday Technology and UMCJ signed a technical cooperation to provide ASIC design and integrated production services for chips under 90 nm.
February 2007	Faraday Technology won the Frost & Sullivan 2006 Customer Service Innovative Enterprise Award.

March 2007	The cumulative shipment quantity of Faraday Technology's USB IP exceeded 200 million.
November 2007	RA Lab passed the National Accreditation Foundation (TAF) certification.
January 2008	Provided UMC with the 65nm LL process memory compiler.
March 2008	Developed SiP design service capabilities to further enhance integration advantages and competitiveness.
November 2008	Participated in the Fresco Logic Partner Program to provide a complete SuperSpeed USB solution.
December 2008	Launched miniLib™, a 90nm and 65nm micro-intelligence component library
March 2009	Published 0.13um miniIO™ which saves up to 40% of the chip area with a solid ESD performance.
April 2009	Launched 90nm high-speed PCIe 2.0.
May 2009	Led the industry in introducing the USB 3.0 physical layer IP.
July 2009	Launched low power leakage memory to reduce power leakage by 90%.
August 2009	Introduced the 65nm and 55nm miniIO™ which saves 40% of the chip area with a solid ESD performance.
September 2009	The 90 nm SATA 3G solution passed the compatibility standard test.
December 2009	The IP business transfer was transferred to the subsidiary Innopower.
March 2010	Introduced the 90nm USB 3.0 physical layer IP.
April 2010	Passed full software and hardware testing and certification and launched PCIe Gen2 EP Controller IP.
May 2010	Assisted customers in obtaining USB 3.0 host controller certification.
July 2010	Launched 1G Hz ARMv5 instruction-set architecture ultra-high performance processor FA726TE.
October 2010	Introduced USB 3.0 certification achievements: complete layout of USB 3.0 from the host to the device, from the physical layer (PHY) to the controller; Faraday Technology IP received full product certification.
December 2010	Launched 0.11 micron aluminum process IP to help customers improve product performance and cost competitiveness.
January 2011	Launched the 55 Nano High Performance Wireless Communication IQ ADC/DAC IP Solution.
January 2011	Held a USB 3.0 seminar with customers to welcomes the first year of the USB 3.0 market.
October 2011	Assisting customers in the mass production of 65nm consumer electronics products.
February 2012	Signed a cooperation agreement to provide a series of optimized IP SIP to UMC, covering the processes from 0.11 micron to 28 nm.
April 2012	Expanded the authorization of ARM® CortexTM-A9 microprocessor and MaliTM-400 MP GPUs.
December 2012	Completed 40nm high-complexity 340 million SoC design.

December 2012	The annual revenue exceeded NT$8 billion, a record high.
January 2013	Made another success in high-end communication applications by cooperating with UMC to produce 40 nm 300 million logic gate SoC. In response to popular handheld devices, launched MIPI high-integration solution which passed silicon verification with high integration and low power consumption, including MIPI CSI-2, DSI controllers and D-PHY IPs.
November 2013	Accelerated the development of single-chip for cloud computing systems, and launched dual-core, ARM Cortex A9-based SoC development platform.
December 2013	Following Canada, mid USA and east USA, Faraday Technology continued to expand its business network to the West Coast of USA, working with local agents with ASIC experience and expertise.
April 2014	Launched the 28nm component library and memory compiler to meet the market demand for low power, high density and high speed performance.
September 2014	Expanded the agency of ARM Keil series products, providing complete MCU development tools and technical support.
March 2015	Announced the UMC 55nm eFlash process component library and memory compiler.
March 2015	Launched the system-level MIPI subsystem solution, integrating CSI-2 RX, LVDS, 28nm and 40nm Combo PHY and prototype kits.
January 2016	Introduced the complete UMC 28nm HPC process component library and memory compiler.
March 2016	The Faraday Technology MIPI IP subsystem shipment quantity exceeded 15 million units, covering mobile devices, security surveillance and digital cameras.
August 2016	Won the ISO9001 Plus QMS Competence Management Benchmark on high-quality design service.
October 2016	Introduced PowerSlash™ SIP to be used in UMC's 55nm ultra-low power consumption process to support IoT application development.
	Introduced Uranus™ Ultra Low Power IoT Application SoC
October 2016	Development Platform,
January 2017	Faraday Technology became the world's first ASIC design service
March 2017	provider to receive ISO 26262 certification.
	Introduced the 40eHV and 40LP SRAM compilers with the world's
April 2017	smallest storage cell area.
	Introduced the 28nm V-by-One HS PHY and controller IP to be used in
April 2017	UMC's HPCU process.
	Exhibited the full-process IP solution and IoT SoC development platform at ESC 2017.
May 2017	Launched UrLib+® add-on library to be used in UMC's 40LP process. The ASIC automotive IC led the industry in passing the AEC-Q100 and AEC-Q006 reliability verification standards.

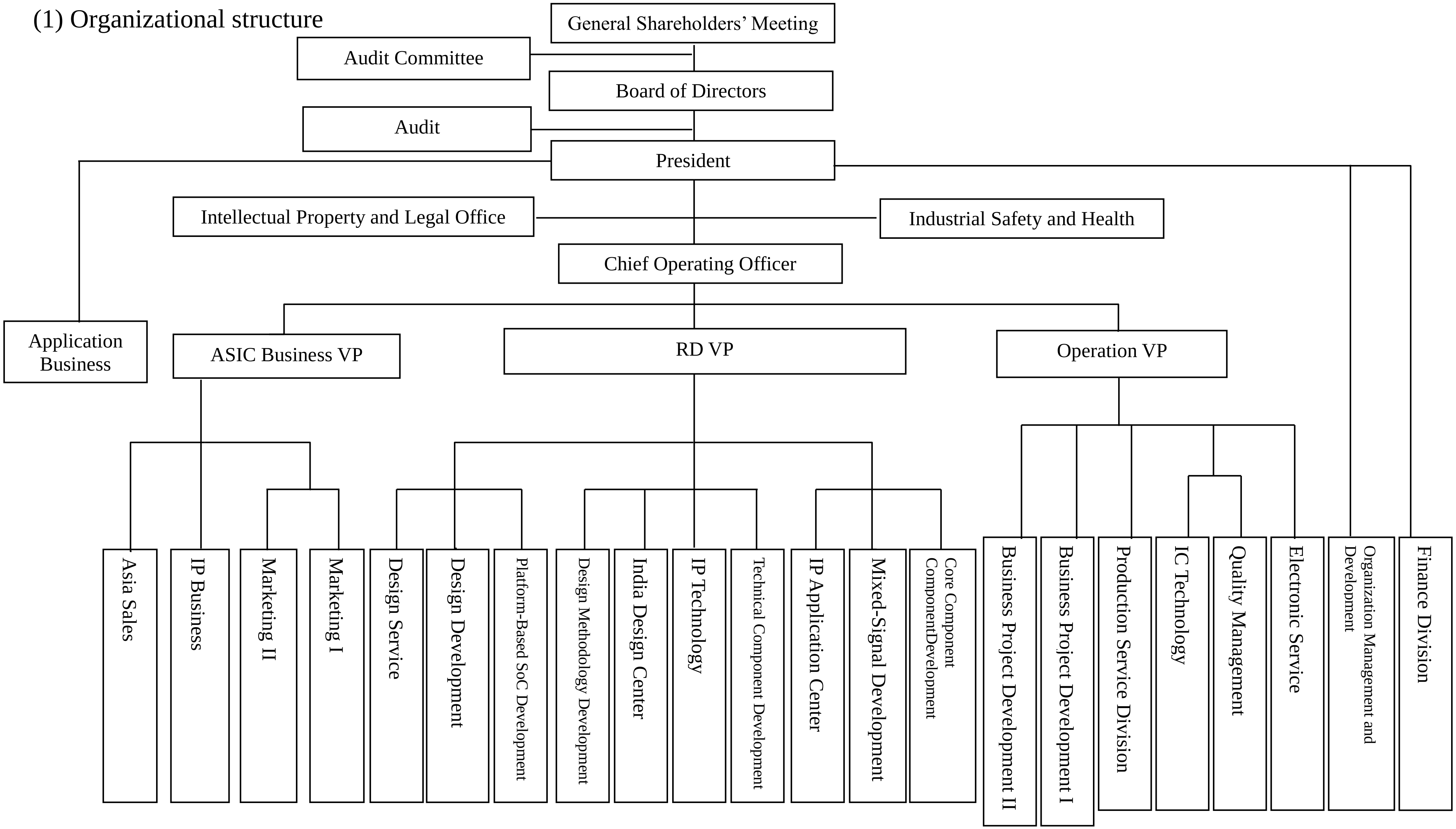
June 2017	Launched 28HPC USB 3.1 PHY and 40LP Type-C PHY, and integrated power transfer PD controller.
August 2017	Launches Its New FPGA to ASIC Turnkey Service.
September 2017	Faraday Launches SoReal! 2.0 Virtual Platform to Support Its FPGA Board for Early SoC Software Development.
November 2017	Launched SoReal! 2.0 Virtual Platform to augment hardware integration and accelerate SoC software development.
March 2018	Introduced 28nm M1+ component library to greatly improve the results of SoC digital circuit winding.
April 2018	Faraday Technology’s FPGA-to-ASIC solution accelerated customer AI IC technology innovation. Led the ASIC industry to support mainstream projector technology.
August 2018	Faraday launched the industry’s smallest USB 2.0 OTG PHY IP. Faraday expanded ASIC services to support Samsung FinFET process to provide product applications for new generations.
December 2018	Faraday launched the multi-protocol video interface IP solution which is cost-effective.
April 2019	Faraday’s RISC-V ASIC solution successfully assisted mass production of AIoT SoC.
August 2019	Faraday is the first launching 28nm 28G programmable SerDes specialized for Netcom ASIC.
November 2019	Faraday launched the complete IP solution for basic components in UMC's 22nm process.
December 2019	Faraday launched a new generation of IoT SoC platform to accelerate the early development of ASIC.
March 2020	Faraday launched the Low-DPPM universal solution to meet the highly reliable requirements of ASIC in various fields.
March 2020	Faraday launched the system-level static control services to speed up the schedule of ASIC mass production.
March 2020	Faraday launched the 28G SerDes IP solution in UMC's 28HPC process.
Apr.2020	Faraday provides UMC 40nm Ethernet GPHY silicon intellectual property licensing service.
May 2020	Faraday's SoCreative!V™ SoC development platform accelerates the development timeline of AI edge applications.
May 2020	Faraday successfully imported its display interface IP to several emerging display ASICs.
July 2020	Faraday launches Ariel™ IoT SoC development platform using Infineon’s SONOS eFlash technology.
October 2020	Faraday launches audio ASIC solutions to accelerate the development of music entertainment applications.
November 2020	Faraday's 22nm basic component IP has been adopted in smart IoT devices.

November 2020	Faraday supplies memory compilers for OLED driver chips for mobile devices.
December 2020	Faraday prior the industry to adopt TCFD climate change-related financial disclosure framework to implement corporate sustainability.
January 2021	Faraday launches complete video and display high-speed interface IP in UMC's 28 and 40 nanometer processes.

III. Corporate Governance Report

1. Organizational structure

(1) Organizational structure



(2) Businesses of Major Departments

1	【President's Office】 a. General supervision of the operations of the Applied Business Unit, Business and Marketing VP's Office, R&D VP's Office, Market and Investment VP's Office, Operation VP's Office, Asian Business Department, Audit Office, Business Project Development Department Division I, Business Project Development Department Division II, Core Component Development Department, Design Development Department, Design Rule Development Department, Design Service Department, Electronic Service Department, Finance Department, IC Technology Department, India Design Center, Intellectual Rights and Legal Affairs Office, IP Application Center, IP Business Department, Technical Component Development Department, IP Technology Department, Industrial's Health and Safety's Office, Marketing Department Division I, Marketing Department Division II, Mixed Component Development Department, Organization Management and Development Department, Platform-based SoC Development Department, Production Service Department, Quality Operation Department and various R&D project units and all operations of overseas subsidiaries. b. Formulation and implementation of the Company's operating policy planning and operation guidelines. c. Instruction and performance evaluation of the annual quality objectives of each department. d. Adjustment and approval of the authority and responsibility of each department. e. Integrate, coordinate, and support the operational processes, market technology needs and resource planning of Faraday Technology's overseas subsidiaries, branches and agents to enhance international operational efficiency and strengthen regional services.
2	【Application Business】 Establish and implement work policies and related business activities for applied business and marketing.
3	【Business and Marketing VP Office】 Establish and implement ASIC business, IP business, marketing, global customer services and other work polices and support business activities related to external stations.
4	【RD VP Office】 Formulate the Company's R&D policy work guidelines and their implementation.
5	【Operation VP Office】 Formulate the Company's production operation management work guidelines and their implementation.
6	【Asia Sales】 a. ASIC Sales: responsible for ASIC and design service related business in Taiwan, Korea or new development areas; Market data search, analysis and recommendations. b. Technical Consultant: technical coordination and discussion before the project contract is obtained from the customer, so as to ensure the project technology can fill the gap between the customer's needs and internal support.
7	【Audit】 a. Establishment, implementation and review of the internal audit system b. Discussion and review of the internal control system
8	【Business Project Development I】 Responsible for regional project management in Taiwan, the United States, Europe, Korea and Japan. The function of project management will vary according to different

	regions, including the technical coordination and discussion before the cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
9	【Business Project Development II】 Responsible for regional project management in mainland China, including the technical coordination and discussion before the first-stage project cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
10	【Core Technology Development】 Responsible for the design, verification and maintenance, and assisting in the verification of digital IP applications on systems. a. Interface IP b. Microprocessor c. System Component d. Software Development e. Verification Technology
11	【Design Development】 a. ASIC Consultant b. DFT Design Service c. DFT Design Flow d. Logical Design Flow e. Physical Implementation Flow f. Physical Implementation
12	【Design Methodology Development】 Improve the integration and integration of tools, services and methodologies to provide efficient and high-quality design processes. a. Chip Package Co-design b. Chip Power Quality c. Signal Integrity and Co-Design
13	【Design Service】 a. Chips' Physical Layout b. Auto Design
14	【Electronic Service】 Planning the electronic structure to coordinate the resources of the business information system and the operation of departments. a. Computing and Storage Management b. Enterprise Resource System c. Enterprise Resource System d. Integration Application Development e. Network and System Management
15	【Finance Division】 a. Accounting Management b. Financial Management and Strategy Management c. Investor Relations d. Payroll's Office
16	【IC Technology】 a. Assembly Service b. Mass Production Technology: Mass Production Development, Production

	Engineering c. Reliability Assurance d. Test Engineering: Test Assurance, Hardware Engineering, Software Engineering
17	【India Design Center】 Develop advanced specifications of IP or design technology.
18	【Intellectual Property and Legal Office】 a. Intellectual Property b. Legal Affairs
19	【IP Application Center】 a. Application Development b. Inter-Operability & Software Testing c. IP Verification Center d. Layout and Manufacturing e. System Application f. System Interface g. Technical Document Center
20	【IP Business】 a. IP Business b. Business Administration c. Customer Engineering
21	【Intellectual Property Development】 Developing and supporting the technical components required for the development of ASIC products, and following the technology market direction and integrating R&D resources to establish the Company's competitiveness. a. Component Design b. Design and Verification Service c. ESD Development d. Testing Technology e. Module Design
22	【IP Technology】 Improving and integrating tools, services and methodologies to provide efficient and high-quality IP design processes and IP management. a. IP Design Flow b. IP's First-stage Module c. IP Core Technology d. IP Management Center e. OIP Management Center f. Physical Verification Technology
23	【Industrial Safety and Health】 a. Determine the annual work plan of occupational safety and health and supervise the implementation of relevant departments. b. Plan and supervise the inspection and record of safety and health management of each department. c. Plan and supervise the management and operation of organic solvents and the implementation of operating environment measurement. d. Plan and implement education training related to safety and health. e. Plan for employee health check and implement health management. f. Formulate occupational disaster prevention plans and implement occupational

	disaster investigation, reporting, statistics and reporting operations. g. Provide employees with safety and health consulting services. h. Provide suggestions and information related to safety and health improvement. i. Other business in accordance with safety and health laws shall be performed.
24	【Marketing I】 a. Formulating the Company's medium and long-term strategic directions in product application and technology development, and assisting in their implementation. b. Planning advanced processes and the time and strategy of the essential IPs and key IPs. c. Marketing and promotion: including but not limited to formulating the content of marketing such as product introduction, proposal, etc. d. Assisting in the evaluation of technology licensing, technology outsourcing and strategic alliances e. Development and expansion assessment of new businesses f. Investment evaluation and post-investment management
25	【Marketing II】 a. IP Procurement Team b. Marketing Plans: Marketing Promotion, Corporate Image, Exhibitions and Media Relations
26	【Mixed-Signal Development】 a. Analog to Digital Conversion b. System Algorithm c. Chronological Generator Design d. Power Management Design e. High Speed I/O Analog f. High Speed I/O Digital g. High Voltage Circuit Design h. Serial Display Development i. Serial Link j. Layout Engineering
27	【Organization Management and Development】 Handling administrative co-ordination and centrally supervising human resources, documentation, general affairs and factory operations; controlling departmental expense budgets, and setting departments' work guidelines and implementing them. a. Human Resource Management b. Human Resource Development c. Document Control Center d. General Service e. Education Training Committee
28	【Platform-Based SoC Development】 Establishing software environment, hardware integration and verification environment and automation processes required for platform-based SoC development, and providing high-quality and high-efficiency platform-based SoC design and development, system application development and software testing, and system

	architecture analysis and development. a. SoC Architecture Design b. SoC Automation Design c. SoC Function Verification d. SoC Hardware Development e. Premier Platform Design f. Smart Platform Design g. Software Development
29	【Production Service Division】 Responsible for production planning and procurement management. a. Procurement Management: General Procurement, Outsourcing Management b. Production Planning: Production Management, Warehouse Management
30	【Quality Management】 a. Production Quality Management b. Quality Assurance c. Quality System

2. Information of Directors and Key Managers

(1) Information of Directors

March 31, 2021

Title	Nationality	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Chia-Tsung Hung	Male	Jun 15, 2018	3 years	Jun 9, 2015	–	–	–	–	–	–	–	–	Chairman, United Microelectronics Corporation Bachelor in Accounting, Tamkang University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chairman & Chief Strategic Officer, Faraday Technology Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, Triknight CapitalCorporation. Director, Unitedds Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	–	–	–	–
Entity represented by Chairman	ROC	United Microelectronics Corporation	–	Jun 15, 2018	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
Director	ROC	United Microelectronics Corporation	–	Jun 15, 2018	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
		Representative: Ying-Sheng Shen	Male	Jun 15, 2018	3 years	Jun 15, 2016	–	–	–	–	–	–	–	–	Vice President, United Microelectronics Corporation Bachelor of Electrical Engineering, Feng Chia University	Associate Vice President, United Microelectronics Corporation	–	–	–	–
Director	ROC	Unimicron Technology Corp.	–	May 28, 2020	1 years	Jun 12, 2012	120,000	0.05%	120,000	0.05%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			

Title	Nationality	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Former Director	ROC	Unimicron Technology Corp.	–	May 28, 2020	1 years	Jun 12, 2012	120,000	0.05%	120,000	0.05%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
		Representative: Chung-Laung Liu (Note 1)	Male	May 28, 2020	1 years	May 28, 2020	–	–	–	–	–	–	–	–	President and Emeritus Chair Professor, National Tsing Hua University Academician, Academia Sinica Electrical Engineering and Computer Science Sc.D., Massachusetts Institute of Technology (MIT)	Not applicable	–	–	–	–
Director	ROC	Kuo-Yung Wang	Male	Jun 15, 2018	3 years	Nov 21, 2011	358,990	0.14%	371,990	0.14%	150,600	0.06%	–	–	Vice President, United Microelectronics Corporation Master of Industrial Engineering, National Tsing Hua University	President, Faraday Technology Chairman, Sheng Bang Investment Chairman, Chi Hong Investment Chairman, United Business Service Corporation Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, Artery Technology Company Chairman, Artery Technology Corporation Cayman	–	–	–	–
Director	ROC	Shih-Chin Lin	Male	Jun 15, 2018	3 years	Jun 15, 2016	200,000	0.08%	220,000	0.09%	–	–	–	–	Senior Director, United Microelectronics Corporation Master of Electrophysics, National Chiao Tung University	COO, Faraday Technology Chairman, Innopower Technology Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, Faraday Technology Corp. (USA) Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	–	–	–	–

Title	Nationality	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Wen-Ju Tseng	Female	Jun 15, 2018	3 years	Jun 15, 2018	86,915	0.03%	112,915	0.04%	–	–	–	–	Financial Director, Faraday Technology Bachelor of Business Administration, National Chengchi University	CFO, Faraday Technology Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation－Samoa Chairman, Bright Capital Group Limited-Samoa Chairman, Faraday Technology－B.V.I. Director, ShiehYung Investment Corporation	–	–	–	–
Independent Director	ROC	Ling-Ling Wu	Female	Jun 15, 2018	3 years	Jun 12, 2012	–	–	–	–	–	–	–	–	Professor, Information Management Department, Management School, National Taiwan University PhD of Psychology, Chicago University	Professor, Information Management Department, Management School, National Taiwan University	–	–	–	–
Independent Director	ROC	Ning-Hai Jin	Male	Jun 15, 2018	3 years	Jun 9, 2015	–	–	–	–	–	–	–	–	President, Aurora Group Master of Engineering Science, University of Michigan	Chairman, Blueocean Optoelectronics Technology Chairman, Xingge Media Legal Representative Director, CTBC Insurance Legal Representative Director, Genesis Photonics Inc.	–	–	–	–
Independent Director	ROC	Bing-Kuan Luo	Male	Jun 15, 2018	3 years	Jun 15, 2018	–	–	–	–	–	–	–	–	Independent Director, Shandong Dadi Chinese Salt Industry Corp Director and Supervisor, GenDing Corporation Consultant, Eastern Taiwan Joint Services Center, Executive Yuan Director, Mega International Investment Trust Co., Ltd Director, Mega Venture Capital Co., Ltd. PhD of Management, Shanghai Fudan University	Chairman, Huashan Internation Consultant Chairman, Taiwan Independent Director Association Independent Director, Hua Nan Commercial Bank, Ltd.	–	–	–	–

Note 1: The legal representative stepped down on November 9th, 2020

(2) Major Shareholders of Institutional Shareholders

Table 1: Major Shareholders of Institutional Shareholders

March 31, 2021

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
United Microelectronics Corporation (the shareholding record date is the ex-dividend date on April 12, 2020)	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (5.63%), Hsun Chieh Investment Co., Ltd. (3.61%), Nan Shan Life Insurance Company, Ltd. (2.60%), Silicon Integrated Systems Corp. (2.33%), Yann Yuan Investment Co., Ltd. (1.64%), New Labor Pension Fund (1.60%), Cathay Life Insurance Co., Ltd. (1.54%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.46%), Prudential Assurance Company Ltd. (1.24%), JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool (1.15%)
Unimicron Technology Corporation (the shareholding record date is the ex-dividend date on July 21, 2020)	United Microelectronics Corp.(13.03%)、New Labor Pension Fund (4.77%)、Old New Labor Pension Fund (2.74%)、HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account (2.58%)、Yann Yuan Investment Co., Ltd. (1.99%)、Bank of Taiwan in Custody for SmallCap World Fund Inc. Investment Account (1.98%)、Citibank Hosting Norwegian Central Bank Investment Account (1.65%)、Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.46%)、Public Service Pension Fund Management Board (1.39%)、Citibank Hosting UBS Europe SE Investment Account (1.18%)

Table 2: If the Major Shareholders in Table 1 are Institutions, Their Major Shareholders

March 31, 2021

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
Hsun Chieh Investment Co., Ltd.	ShiehYung Investment Corporation (63.51%), United Microelectronics Corporation (36.49%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (55.55%)、RUEN HUA DYEING & WEAVING Co.,Ltd. (1.34%)、Y. T. Du (1.16%)、RUEN TAI SHING Co., Ltd. (0.96%)、RUENTEX DEVELOPMENT Co., Ltd. (0.23%)、RUENTEX INDUSTRIES Ltd. (0.21%)、Yen Sin Corporation (0.16%)、Ruentex Leasing Co., Ltd. (0.13%)、Chi-Pin Investment Company (0.10%)
Silicon Integrated Systems Corporation.	United Microelectronics Corp (19.02%)、Hsun Chieh Investment Co., Ltd. (3.16%)、Hsing Sen Liu (1.38%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.12%)、Standard Chartered Bank (Taiwan) Limited as custodian of Credit Suisse Securities (Europe) Limited (1.10%)、Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.04%)、Yung Chin Investment (0.63%)、JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool (0.51%)、Tsung-Ming Chuang (0.48%)、Wen Hsi Chen (0.45%)
Yann Yuan Investment Co., Ltd.	Silicon Integrated Systems Corporation. (32.21%)、United Microelectronics Corp (30.87%)、King Yuan ELECTRONICS CO., LTD. (16.78%)、Unimicron Technology Corporation (13.42%)、Sigurd Microelectronics Corporation (4.03%)、Po Hua Investment Co,, Ltd.(2.69%)
Cathay Life Insurance Co.,Ltd.	CATHAY FINANCIAL HOLDING CO., LTD. (100%)

(3) Information of Directors and Supervisors

March 31, 2021

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Notes 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chia-Tsung Hung			✓			✓			✓			✓	✓	✓		–
Kuo-Yung Wang			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	–
Ying-Sheng Shen			✓		✓	✓			✓			✓	✓	✓		–
Chung-Laung Liu (Note 1)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		–
Shih-Chin Lin			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	–
Wen-Ju Tseng			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	–
Ling-Ling Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Ning-Hai Jin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Bing-Kuan Luo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: The legal representative stepped down on November 9th, 2020

Note 2: If the director or supervisor meets any of the following condition during the two years prior to the election and during the term of office, please place a "✓" in the space below the condition.

(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 apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

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

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(4) Information of the Chief Strategy Officer, President, VPs, SAVPs and Managers of Departments and Branches

March 31, 2021
Unit: share

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Chief Strategy Officer	ROC	Chia-Tsung Hung	Male	March 2, 2018	–	–	–	–	–	–	Chairman, United Microelectronics Corporation Bachelor of Accounting, Tamkang University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, Triknight Capital Corporation. Director, Unitedds Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	–	–	–	–	–
President	ROC	Kuo-Yung Wang	Male	Jul 28, 2015	371,990	0.14%	150,600	0.06%	–	–	Vice President, United Microelectronics Corporation Master of Industrial Engineering and Engineering Management, National Tsing Hua University	Chairman, Sheng Bang Investment Chairman, Chi Hong Investment Chairman, United Business Service Corporation Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, Artery Technology Company Chairman, Artery Technology Corporation Cayman	–	–	–	–	–
COO	ROC	Shih-Chin Lin	Male	Jul 30, 2015	220,000	0.09%	–	–	–	–	Senior Director, United Microelectronics Corporation Master of Industrial Master of Electrophysics, National Chiao Tung University	Chairman, Innopower Technology Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, Faraday Technology Corp. (USA) Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	–	–	–	–	–

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Senior VP	ROC	Chien-Ming Chen	Male	Jun 17, 2019	91,300	0.03%	–	–	–	–	VP, Faraday Technology PhD of Computer Science, National Tsing Hua University	Chairman, Faraday Technology Corporation (Suzhou) Director, Faraday Technology China Corporation Director, United Business Service Corporation (Chongqing) Director, Artery Technology Corporation, Ltd. (Chongqing) Director, Artery Technology Company Director, Artery Technology Corporation - Cayman	–	–	–	–	–
VP	ROC	Jyh-Herng Wang	Male	Jun 8, 2018	181,298	0.07%	3,195	0.00%	–	–	SAVP, Faraday Technology PhD of Electrical Engineering, National Taiwan University	None	–	–	–	–	–
VP	ROC	Kun-Cheng Wu	Male	Jun 17, 2019	114,076	0.05%	34,203	0.01%	–	–	SAVP, Faraday Technology Master of Computer Science, National Chiao Tung University	Chairman, Faraday Technology Vietnam Company Limited	–	–	–	–	–
CFO & SAVP	ROC	Wen-Ju Tseng	Female	Sep 1, 2017	112,915	0.04%	–	–	–	–	Financial Director, Faraday Technology Bachelor of Business Administration, National Chengchi University	Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation－Samoa Chairman, Bright Capital Group Limited-Samoa Chairman, Faraday Technology- B.V.I. Director, ShiehYung Investment Corporation	–	–	–	–	–
SAVP	ROC	Chih-Shiun Lu	Male	Sep 1, 2017	200,000	0.08%	–	–	–	–	SAVP, Faraday Technology Master of Electrical Engineering, National Taiwan University	None	–	–	–	–	–

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
SAVP	ROC	Rong-Shing Lai	Male	Jun 8, 2018	156,000	0.06%	–	–	–	–	Marketing Manager, Silicon Integrated Systems SAVP, Faraday Technology Master of Electrical Engineering, National Cheng Kung University	Chairman, Grain Media Chairman, GrainTech Electronics Limited Director, Artery Technology Corporation Cayman Director, Artery Technology Corporation, Ltd. (Chongqing) Director, Artery Technology Company Director, Sanjet Co., Ltd.	–	–	–	–	–
SAVP	ROC	Cheng-Hsing Chien	Male	Jun 17, 2019	60,000	0.02%	–	–	–	–	SAVP, Faraday Technology Master of Electrical Engineering, National Taiwan University	None	–	–	–	–	–
SAVP	ROC	Kuo-Hua Lee	Male	Dec 3, 2019	70,000	0.02%	–	–	–	–	SAVP, Faraday Technology Master of Physics, Tamkang University	None	–	–	–	–	–

Note: SAVP Yi-Chi Wang was dismissed on April 13, 2020. SAVP Po-Hao Mao was dismissed on February 7, 2020

(5) Remuneration of Directors, Strategy Officer, Presidents, COO, and VPs

General Remuneration of Directors and Independent Directors

December 31, 2020
Unit: NT$'000/1000 shares

Title	Name	Director remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (note 1)
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C) (note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Chia-Tsung Hung	2,775	2,775	–	–	248	248	630	630	1.36%	1.36%	22,817	22,817	–	–	1,953	–	1,953	–	10.59%	10.59%	none.
Entity represented by Chairman	UMC																					
Director	UMC Representative: Ying-Sheng Shen																					
Director	Unimicron Technology Corp.																					
Former Director	Unimicron Technology Corp. Representative: Chung-Laung Liu (Note 2)																					
Director	Kuo-Yung Wang																					
Director	Shih-Chin Lin																					
Director	Wen-Ju Tseng																					
Independent Director	Ling-Ling Wu	2,520	2,520	–	–	–	–	540	540	1.14%	1.14%	–	–	–	–	–	–	–	–	1.14%	1.14%	none.
Independent Director	Ning-Hai Jin																					
Independent Director	Bing-Kuan Luo																					

1. Relevance of the Independent Directors' remuneration policy, system, standards and structure, their responsibilities, risks, and time spent on remuneration: none.

2. Other than the above, the Directors of the Company who provided services to any of the companies in the financial statements (such as working as consultants who are not employees) in the most re
year: none.

Remuneration Tiers

Range of Remuneration (NT$)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements (I)	The company	Companies in the consolidated financial statements (J)
Lower than 1,000,000	UMC, Unimicron, Chia-Tsung Hung, Ying-Sheng Shen, Chung-Laung Liu, Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng	UMC, Unimicron, Chia-Tsung Hung, Ying-Sheng Shen, Chung-Laung Liu, Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng	UMC, Unimicron, Ying-Sheng Shen, Chung-Laung Liu	UMC, Unimicron, Ying-Sheng Shen, Chung-Laung Liu
1,000,000 (inclusive) ～2,000,000 (not inclusive)	Ling-Ling Wu, Ning-Hai Jin, Bing-Kuan Luo	Ling-Ling Wu, Ning-Hai Jin, Bing-Kuan Luo	Ling-Ling Wu, Ning-Hai Jin, Bing-Kuan Luo	Ling-Ling Wu, Ning-Hai Jin, Bing-Kuan Luo
2,000,000 (inclusive) ～3,500,000 (not inclusive)	—	—	Chia-Tsung Hung	Chia-Tsung Hung
3,500,000 (inclusive) ～5,000,000 (not inclusive)	—	—	—	—
5,000,000 (inclusive) ～10,000,000 (not inclusive)	—	—	Shih-Chin Lin, Wen-Ju Tseng	Shih-Chin Lin, Wen-Ju Tseng
10,000,000 (inclusive) ～15,000,000 (not inclusive)	—	—	Kuo-Yung Wang	Kuo-Yung Wang
15,000,000 (inclusive) ～30,000,000 (not inclusive)	—	—	—	—
30,000,000 (inclusive) ～50,000,000 (not inclusive)	—	—	—	—
50,000,000 (inclusive) ～100,000,000 (not inclusive)	—	—	—	—
More than 100,000,000 (not inclusive)	—	—	—	—
Total	11 people	11 people	11 people	11 people

Note 1: The amount of Directors' and employees’ remuneration passed by the Board of Directors in 2021.
Note 2: The legal representative stepped down on November 9th, 2020.

<u>**Remuneration of Chief Strategy Officer, President, COO and VPs**</u>

December 31, 2020
Unit: NT$1000/1000 shares

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B) (note 3)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employee Compensation (D) (note 1)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)</th><th rowspan="3">Remuneration from ventures other than subsidiaries or from the parent company
(Note)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidate d financial statements</th></tr>
<tr><th>Cash amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>Chief Strategy Officer</td><td>Chia-Tsung Hung</td><td rowspan="6">19,956</td><td rowspan="6">19,956</td><td rowspan="6">–</td><td rowspan="6">–</td><td rowspan="6">15,030</td><td rowspan="6">15,030</td><td rowspan="6">2,846</td><td rowspan="6">–</td><td rowspan="6">2,846</td><td rowspan="6">–</td><td rowspan="6">14.09%</td><td rowspan="6">14.09%</td><td rowspan="6">–</td></tr>
<tr><td>President</td><td>Kuo-Yung Wang</td></tr>
<tr><td>Chief Operation Officer</td><td>Shih-Chin Lin</td></tr>
<tr><td>Senior VP</td><td>Chien-Ming Chen</td></tr>
<tr><td>VP</td><td>Jyh-Herng Wang</td></tr>
<tr><td>VP</td><td>Kun-Cheng Wu</td></tr>
</table>

Remuneration Tiers

Range of Remuneration (NT$)	Names of Chief Strategy Officer, President, COO and VPs	
	The Company	Companies in the consolidated financial statements
Lower than 1,000,000	—	—
1,000,000 (inclusive) ～2,000,000 (not inclusive)	—	—
2,000,000 (inclusive) ～3,500,000 (not inclusive)	Chia-Tsung Hung	Chia-Tsung Hung
3,500,000 (inclusive) ～5,000,000 (not inclusive)	—	—
5,000,000 (inclusive) ～10,000,000 (not inclusive)	Shih-Chin Lin, Chien-Ming Chen, Jyh-Herng Wang, Kun-Cheng Wu	Shih-Chin Lin, Chien-Ming Chen, Jyh-Herng Wang, Kun-Cheng Wu
10,000,000 (inclusive) ～15,000,000 (not inclusive)	Kuo-Yung Wang	Kuo-Yung Wang
15,000,000 (inclusive) ～30,000,000 (not inclusive)	—	—
30,000,000 (inclusive) ～50,000,000 (not inclusive)	—	—
50,000,000 (inclusive) ～100,000,000 (not inclusive)	—	—
More than 100,000,000 (not inclusive)	—	—
Total	6 people	6 people

Note: The amount of Directors' and employees' remuneration passed by the Board of Directors in 2021.

Names of Managers Receiving Employee Remuneration and Amounts Distributed

December 31, 2020

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income After Tax （%）
Manager	Chief Strategy Officer	Chia-Tsung Hung	–	4,154	4,154	1.55%
	President	Kuo-Yung Wang				
	Chief Operation Officer	Shih-Chin Lin				
	Senior VP	Chien-Ming Chen				
	VP	Jyh-Herng Wang				
	VP	Kun-Cheng Wu				
	SAVP & Chief Financial Officer	Wen-Ju Tseng				
	SAVP	Chih-Shiun Lu				
	Former SAVP (Note 1)	Yi-Chi Wang				
	Former SAVP (Note 1)	Po-Hao Mao				
	SAVP	Rong-Shing Lai				
	SAVP	Cheng-Hsing Chien				
	SAVP	Kuo-Hua Lee				

Note 1: SAVP Yi-Chi Wang was dismissed on April 13, 2020. SAVP Po-Hao Mao was dismissed on February 7, 2020.
Note 2: The amount of Directors’ and employees’ remuneration passed by the Board of Directors in 2021.

(6) Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the Last Two Years

Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the Last Two Years

	2020 total remuneration/ net profit after tax		2019 total remuneration/ net profit after tax	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Directors	11.73%	11.73%	9.76%	9.76%
Chief Strategy Officer, President, and VPs	14.09%	14.09%	10.77%	10.77%

Note: The remunerations of the Directors, Chief Strategy Officer, President, and VPs of the Company are paid in accordance with the Company's Articles of Incorporation and Company Rules.

Remuneration Payment Policy

The Company's Director remuneration policy is handled in accordance with the Articles of Incorporation. The President and VP remuneration payment policy is compared with industry peers and reviewed regularly, and the performance of individuals and teams is reflected.

3. Corporate Governance Implementation Status

(1) Operation of the Board of Directors: The Board of Directors convened 6 (A) meetings in 2020. The Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	UMC Representative: Chia-Tsung Hung	6	0	100	
Director	UMC Representative: Ying-Sheng Shen	6	0	100	
Former Director	Unimicron Representative: Chung-Laung Liu	1	1	50	1. Mr. Chung-Laung Liu was newly elected on May 28th, 2020. 2. The legal representative stepped down on November 9th, 2020.
Director	Kuo-Yung Wang	6	0	100	
Director	Shih-Chin Lin	6	0	100	
Director	Wen-Ju Tseng	6	0	100	
Independent Director	Ling-Ling Wu	6	0	100	
Independent Director	Ning-Hai Jin	6	0	100	
Independent Director	Bing-Kuan Luo	6	0	100	

Annotations:

1. In case the operation of the board of directors has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the opinions of all independent directors and the company's disposal of the opinions of independent directors:

(1) Matters listed in Article 14.3 of the Securities Exchange Act:

Board Meeting Dates	Session	Resolution and Result	Independent Directors' opinions & Company disposal to the Independent Directors' opinions
February 13, 2020	8th session of 10th term	Review the Corporate Sustainability Committee's report on the effectiveness of the implementation of corporate social responsibility in 2019, and plans for future promotion.	Resolution result: approved by all the Independent Directors.
		Lay down the Company's policy of Ethical Management.	
		Lay down the Company's policy of Corporate Governance, and appoint the CFO as the head of Corporate Governance.	
		Review the independence external auditor and appoint the auditors to the company's 2020 financial statements and auditing.	
		Change of the company's co-signing partner in response to the organization adjustment of Ernst & Young	
		Appoint the Company's new audit supervisor.	
		Review the remuneration distribution of Directors and employees for 2019.	
		Review employees' cash compensation and estimated remuneration issued by the Company's executive officers for 2020.	
March 25, 2020	9th session of 10th term	Elect one additional Director for the 10th term Board.	Resolution result: approved by all the Independent Directors.
April 23, 2020	10th session of 10th term	Review the Dragon Boat Festival bonus and estimated remuneration issued by the company's manager for 2020	Resolution result: approved by all the Independent Directors.
		Formulate the company's Risk Management Policy	
July 24, 2020	11th session of 10th term	Review the estimated remuneration and salary adjustment plan for employees proposed by the company's manager for 2020	Resolution result: approved by all the Independent Directors.
		Formulate the company's Board	Resolution result: approved by all the

		Performance Evaluation Measures	Independent Directors.
		Amend the Company's Code of Procedures for Board Meetings	
		Amend the Company's Director Election Method	
		Amend the Company's Audit Committee Organizational Rules	
		Amend the Company's Salary and Compensation Committee Organization Rules	
		Amend the Company's Code of Practice on Corporate Governance	
		Amend the Company's Regulations for Related Financial Business Operations Between Affiliated Enterprises.	
October 27, 2020	12th session of 10th term	Review the remuneration structure and remuneration recommendations of the company's managers	Resolution result: approved by all the Independent Directors.
December 14, 2020	13th session of 10th term	Formulate the company's Insider Trading Prevention Measures	Resolution result: approved by all the Independent Directors.

(2)Other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion, in addition to the matters above: None.

2. On the implementation of directors' avoidance of interests, state the names of the directors, the contents of the motions, the reasons for the avoidance of interests and the participation in the voting:

Director name	Motion content	Reason for avoidance	Participation in voting	Remarks
Wen-Ju Tseng	Lay down the Company's policy of Corporate Governance, and appoint the CFO as the head of Corporate Governance.	The Director has a stake in the motion.	Not voting	8th session of 10th term
Chia-Tsung Hung Ying-Sheng Shen	Review the remuneration distribution of Directors and employees for 2019.	The Director has a stake in the motion.	Not voting	8th session of 10th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review employees' cash compensation and estimated remuneration issued by the Company's executive officers for 2020.	The Directors have a stake in the motion.	Not voting	8th session of 10th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review the Dragon Boat Festival bonus and estimated remuneration issued by the company's manager for 2020	The Directors have a stake in the motion	Not voting	10th session of 10th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review the estimated remuneration and salary adjustment plan for employees proposed by the company's manager for 2020	The Directors have a stake in the motion.	Not voting	11th session of 10th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review the remuneration structure and remuneration recommendations of the company's managers	The Directors have a stake in the motion.	Not voting	12th session of 10th term

3. Information about Board of Directors' performance self-evaluation implementation (i.e. the evaluation cycle and period, the evaluation scope, the evaluation method and evaluation aspects):

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspects
Once a year	January 1st to December 31st, 2020	Including the performance evaluation of the Board of Directors, Functional Committees, and individual Directors	Self-evaluation of the Board, Functional Committees, and Board members	1. The measurement items for the self-evaluation of the Board of Directors include the following aspects: (1) Participation in the Company's operations (2) Improve the decision-making quality of the Board (3) Board composition and structure (4) Election and continuing education of Directors (5) Internal control 2. Functional Committee self-evaluation measurement items, include the following aspects: (1) Participation in the Company's operations (2) Recognition of the responsibilities of Functional Committees (3) Improve the decision-making quality of Functional Committees (4) Functional Committee composition and member selection (5) Internal control 3. The measurement items for the self-evaluation of Board members include the following aspects: (1) Mastery of company goals and tasks (2) Awareness of Directors' responsibilities (3) Participation in the Company's operations (4) Management and communication of internal relationship (5) Professional and continuing education of Directors (6) Internal control

4. Goals and status of strengthening the function and performances of the Board of Directors in current years: The Company is committed to strengthen the functions of the Board of Directors. The Company has elected three Independent Directors and set up the Audit Committee. In 2020, the Board Meeting attendance rates were high and the Directors fully participated in the operation of the Board of Directors. Matters that conflicted with the Directors' interests were resolved by the Audit Committee or the Remuneration Committee before reviewing in the Board Meeting. Moreover, the Company appointed a head of Corporate Governance to manage related affairs and laid down the Company's policy of Corporate Governance and Board Performance Evaluation Measures for annually evaluation to strengthen the Board's functions in 2020.

(2) The operation of the Audit Committee or the Supervisor's participation in the operation of the Board Meeting:

A. Operation of the Audit Committee:

The Audit Committee assists the Board of Directors in supervising the quality and integrity of accounting, auditing, financial reporting, and financial control.

The Audit Committee conducted 4(A) meetings in the most recent year. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Ling-Ling Wu	4	0	100	
Independent Director	Ning-Hai Jin	4	0	100	
Independent Director	Bing-Kuan Luo	4	0	100	

Annotations:

1. In case the operation of the Audit Committee has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the Audit Committee's review results and the company's disposal of the opinions of the Audit Committee:

(1) Resolutions related to Article 14.5 of the Securities and Exchange Act:

If a company, which has issued shares in accordance with this Act, has established an Audit Committee, the following matters shall be approved by more than half of the Committee members and submitted to the Board of Directors for resolution and are not applicable to Article 14-3:

1. To formulate or amend the internal control system in accordance with Article 14-1.
2. Evaluation of the effectiveness of the internal control system.
3. Under Article 36-1, the processing procedures for stipulating or amending the acquisition or disposal of assets, engaging in derivative products transaction, lending capital to others, endorsing or guarantying other's major financial and business activities.
4. Matters involving the interests of the Directors themselves.
5. Major asset or derivative commodity transactions.
6. Significant capital loans, endorsements, or guarantees.
7. Raising, issuing, or private placement of equity securities.
8. Appointment, dismissal, or remuneration of external auditor.
9. Appointment and removal of financial, accounting, or internal audit supervisors.
10. Annual financial statements, which is signed or stamped by the chairman, managers, and accounting supervisor and second-quarter financial statements that required review by the external auditor.
11. Other significant matters specified by the company or the competent authority.

Audit Committee Meeting Dates	Session	Resolution	Result	The Company's disposal of member opinions
February 13, 2020	7th session of 2nd term	Approve the Company's 2019 annual audited business accounts, business report, financial statements (including consolidated and individual statements), together with the draft audit report by Ernst & Young. Resolution result: passed.	Resolution result: approved by all Committee Members.	None
		Review the independence external auditor and appoint the auditors to the company's 2020 financial statements and auditing.		
		Change of the company's co-signing partner in response to the organization adjustment of Ernst & Young		
		Review the 2019 Internal Control Statement		
		Approve the appointment of the company's new audit supervisor.		
April 23, 2020	8th session of 2nd term	Review the company's Business Operations Report for the 1st quarter of 2020.	Resolution result: approved by all Committee Members.	None
July 24, 2020	9th session of 2nd term	Review the company's Business Operations Report for the 2nd quarter of 2020.	Resolution result: approved by all Committee Members.	None
October 27, 2020	10th session of 2nd term	Review the company's Business Operations Report for the 3rd quarter of 2020.	Resolution result: approved by all Committee Members.	None
		Review the company's audit plan for 2021.	Resolution result: approved by all Committee Members.	None

(2) Other resolutions that was not approved by the Audit Committee but was approved by two thirds or more of all Directors: None.

2. On the implementation of Independent Directors' avoidance of interests, state the names of the Independent Directors, the contents of the resolutions, the reasons for the avoidance of interests and the participation in the voting: None.

3. Descriptions of the communications between the Independent Directors, the internal auditors, and the independent auditors (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.): The internal audit supervisor regularly provides Audit Reports and future audit plans to the Audit Committee. Whenever the Audit Committee members need information about the Company's financial and operation status, the Company arranges

responsible personnel to attend the meeting and give a briefing. The CPAs will report to the Audit Committee at least once a year about the audit results and the key audit items in the future. The Audit Committee members may also contact the CPAs at any time by phone or email. The communication channel between the Audit Committee and the independent auditors functioned well.

(3) Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
1. Does the Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	V		The Group has established Corporate Governance Best Practice Principles with reference to the "Taiwan Corporate Governance Implementation" which has been published on the company's website and a "Corporate Governance" section has been set up for investors to inquire and download relevant regulations.	None
2. Shareholding Structure & Shareholders' Right (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		The Group has established Rules of Procedure for Shareholders' Meetings, and shareholder suggestions or disputes are handled by Investor Relations and stock affairs personnel, who will give feedback to the Board of Directors in due course.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		Faraday Technology declares the shareholdings of Directors and Managers on a monthly basis; the major shareholders of the related companies of the Group is Faraday Technology.	None
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		The personnel, assets and financial management rights and responsibilities between affiliates are clearly divided, while risk assessment is firmly implemented and an appropriate firewall is established. The "Measures for Monitoring Subsidiaries" and the "Regulations on the Reciprocal Financial Business of Affiliates" have been established and firmly implemented.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		The Company has laid down the "Insider Trading Prevention Regulations", "Internal Major Information Processing Procedures" and "Integrity Management Operating Procedures". Please refer to the "Corporate Governance" section on the Company's website for the regulations.	None
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for	V		Faraday Technology has set up three seats of Independent Directors in the Board of Directors, including professionals from the industry and	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
the composition of its Board of Directors and has it been implemented accordingly?			academia with diverse disciplines, expertise and skills that help strengthen the Board's operations.	
(2) In addition to the Compensation Committee and the Audit Committee, which are required by law, has the company voluntarily set up other functional committees?		V	Faraday Technology has not yet set up functional committees other than the Compensation Committee and the Audit Committee to assist the Board in performing its duties.	An assessment will be made according to laws and regulations and company needs.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		The Board of Directors of the Company passed the Board Performance Evaluation Measures in July, 2020, and conducts self-evaluations of the Board, Functional Committees, and individual Board members regularly each year to establish performance targets for enhancing the efficiency of the Board. The evaluation results are reported to the Board Meeting in the first quarter of the following year as a reference for selecting individual Directors.	None
(4) Does the Company regularly evaluate its external auditors' independence?	V		The Company has engaged Ernst & Young to handle the external audit. After the internal evaluation and obtaining the independence statement issued by the accounting firm, it was found that the CPAs do not act as either the Director or the Supervisor of the Company, are not shareholders of the Company, and do not receive remuneration from the Company. The CPAs meet the independence requirement. The independence of the CPAs is assessed by the Audit Committee and the Board of Directors on an annual basis.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The company passed the resolution of the board of directors on February 13, 2020 to appoint the CFO as the head of corporate governance. He/she is experienced and has served as finance executives in public companies for more than three years. He/she also conducts professional training in accordance with laws and regulations. The main responsibilities of the corporate governance supervisor are to supervise the stock affairs unit of the Finance Department to handle matters relating to Board, and Shareholders' meetings in compliance with law, production of the minutes and information disclosure, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law.	None
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has set up a designated area on its website to establish transparent, effective, and instant multi-directional communication channels with all stakeholders to gain their trust and support, and immediately grasp their expectations, recommendation and requirements. Recommendations and requirements are used as references and basis for formulating the Company's future corporate social responsibility and future operational development plans, to realize the value and positive impact of corporate social responsibility. The company's stakeholders include employees, shareholders and investors, customers, suppliers and contractors, and government agencies. Please refer to the stakeholder section of the Company's website for the concerns of various stakeholders , the Company's communication channels, response methods and frequencies. (http://www.faraday-tech.com/tw/content/CSR/StakeholdersEngament)	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The company appointed HORIZON SECURITIES's Stock Affairs Agency Department as the professional stock affairs agency to handle the affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its	V		The Company has established a website (www.faraday-tech.com/tw/) to regularly disclose and update the Company's financial status, corporate governance and important information	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
financials, business and corporate governance status?			about the Group. Other relevant information that should be announced may also be found on the MOPs.	
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The company has set up an English website and placed important information such as English financial reports on the official website with dedicated personnel responsible for the collection and disclosure of company information. The website information is available in simplified Chinese, Japanese and Korean as well. The company has set up a room for spokesperson system and investor relationship, and disclosed relevant documents and audio-visual files of the corporate briefing session on the company's website.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		The company publishes and declares the annual financial statements, the first, second, and third quarter financial statements and the monthly operating status as early as possible within the prescribed deadlines. Please refer to the disclosed content on the MOPs (website: https://mops.twse.com.tw/)	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		1. Employees' rights and interests: The Company pays great attention to the rights and interests of employees and has always been following the principle of humanized management to give employees full respect and care. All management rules and regulations are in line with or better than the Labor Standards Law, Gender Work Equality Law, Sexual Harassment Prevention Law, and other government regulations. The Company provides a variety of internal communication mechanisms, such as quarterly labor-management meetings, company-wide colleague meetings, periodic management meetings with employees, etc., so that colleagues' opinions can be fully utilized, and relevant authorities and responsible units can quickly respond to colleagues' opinions to build an unobstructed communication culture and a lively and enlightened working atmosphere. The Company also provides a diversified welfare system, complete leisure facilities, and health promotion activities that	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
			meet the needs of employees. In addition, the "Employee Welfare Committee" has been established to protect the rights and interests of employees, enhance employee welfare, and give employees a better working environment and development space. An employee family day is held annually to care for employees and their relatives. Relevant information about employee rights and employee care, please refer to the Labor-Management Relations in Chapter 5 of the Annual Report and the "Friendly Workplace and "Salary and Benefits" sections on the Company's official website. 2. Investor relations: The company has spokespersons, acting spokespersons, and common stock transfer agent "HORIZON SECURITIES" to provide shareholders and investors with consultation on company-related issues. 3. Supplier relationship: Responsible for the development of a sustainable supply chain and establish long-term partnerships with suppliers in various directions such as quality capabilities, cost leadership capabilities, delivery and supply capabilities, service capabilities, and sustainability. 4. The rights of stakeholders: The company has set up a section for "Stakeholders" on the Company website, and has also set up independent mailboxes and special lines to establish transparent, effective, and instant multi-directional communication channels between stakeholders and the Company and to protect the relevant rights of interested parties. 5. Training for Directors: The Company offers courses in relevant regulations and professional knowledge courses from time to time. All directors and supervisors completed at least 6 hours of training courses in accordance with laws and regulations in 2020. 6. Implementation of risk management policies: The risk management policies have been approved by the Board of Directors on April 23, 2020. The policies, organizational structure and related contents has been disclosed on the Company's official website. 7. Implementation of Customer Policy: Improve customer service and relevant work, improve service quality and customer satisfaction, and maintain customer rights and related business secrets.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s).
	Y	N	Explanation	
			8. Directors and Supervisors' responsibility insurance: The company regularly insures the Directors and Supervisors' responsibility insurance every year. In the recent period, the Board of Directors has reported important contents such as the insured amount, coverage and insurance rate on February 13, 2020 and the information has been announced on the MOPs.	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: Faraday Technology continues to improve corporate governance according to the results of corporate governance evaluation. The improvement includes disclosure of specific issues in the annual report and strengthening of the Company's external website information (such as strengthening the disclosure of information and documents in the stakeholders section, increasing the relevant information of the shareholders' meeting, etc.), and the Company plans to add corporate governance related regulations.				

(4) Composition, responsibilities and operation of the Compensation and Remuneration Committee:

The Compensation and Remuneration Committee is designed to assist the Board of Directors with the implementation and evaluation of the Company's overall compensation and remuneration policies, as well as the remuneration to the Directors and managers.

<u>Information of Compensation and Remuneration Committee Members</u>

Position	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ling-Ling, Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	
Independent Director	Ning-Hai, Jin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	
Independent Director	Bing-Kuan Luo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	

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

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

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

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

(10) Not been a person of any conditions defined in Article 30 of the Company Law.

Operation of the Compensation and Remuneration Committee

1. There are a total of 3 members in the Company’s Compensation and Remuneration Committee.
2. Current term of committee members: June 19, 2018 to June 14, 2021. The Compensation and Remuneration Committee held 4 (A) meetings in 2020, attendance status of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Ling-Ling, Wu	4	0	100	
Member	Ning-Hai, Jin	4	0	100	
Member	Bing-Kuan Luo	4	0	100	
Annotations: (i) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the					

motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

(ii) Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Board meeting date	Session	Motion content and resolution	Result	The Company's disposal of member opinions
February 13, 2020	4th session of 4th term	Review the remuneration distribution of Directors and employees for 2019 Resolution result: passed.	Resolution result: approved by all Committee Members.	None
		Review employees' cash compensation and estimated remuneration issued by the Company's executive officers for 2020. Resolution result: passed.		
April 23, 2020	5th session of 4th term	Review the Dragon Boat Festival bonus and estimated remuneration issued by the Company's manager for 2020	Resolution result: approved by all Committee Members.	None
July 24, 2020	6th session of 4th term	Review the estimated remuneration and salary adjustment plan for employees proposed by the Company's manager for 2020	Resolution result: approved by all Committee Members.	None
October 27, 2020	7th session of 4th term	Review the remuneration structure and remuneration recommendations of the Company's managers.	Resolution result: approved by all Committee Members.	None

(5) Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		The Company has formulated risk management policies after assessing the risks of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle. The risk management policy was approved by the Board on April 23, 2020. The policy, organizational structure and related contents were disclosed on the Company's	None

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
			official website.	
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		The Company has set up a corporate sustainability committee that promotes corporate social responsibility. The senior executives are authorized by the Board to deal with the relevant affairs. The chairman of the committee conducts a review on the operation status on an annual basis. Meanwhile, the committee reports on the effectiveness and future plans to the Board every year.	None
3. Environmental Topics (i) Has the Company set an environmental management system in accordance to the industry characteristics?	V		The Company is committed to sustainable management and development and has laid down the 'Green Environmental Policy and Operating Procedures' to utilize the use of resources and reduce the waste and damage to the environment.	None
(ii) Is the Company committed to improving resource efficiency and to using renewable materials with low environmental impact?	V		The Company is a professional IC design house that committed to sustainable management and development. The products are outsourced for manufacture and do not create large amount of waste and pollutants. The Company has established the "Waste Processing and Scrap Operation Procedure", and has assigned a Class A waste removal agency for the elimination of IC scraps and other wastes. Besides, we committed to utilize the use of various resources, such as using recycled paper for packaging, reusing crystal boat boxes, etc., in order to reduce waste and damage to the environment.	None
(iii) Does the Company evaluate potential risks and opportunities for climate change and take measures to climate related topics?	V		In response to global climate change, the Company has set up a global supply chain, and introduced the continuous operation management procedures to continuously review and ensure a best reacting process to disasters or shocks. The procedure aims to maintain	None

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
			and restore the highest operating condition, and to protect rights of customers and stakeholders. For the risk of raw-material supply, Faraday has also established an assessment system to ensure a sustainable supply chain, which incorporates carbon and water risk management and emergency response plans. Moreover, assisting our customers to produce eco-friendly products has always been Faraday's philosophy. Faraday is dedicated to develop low-energy consumed technologies, to adopt eco-friendly materials in the production and packaging process, and to strengthen our customer service and competitiveness.	
(iv) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		The greenhouse gas emissions, water consumption and total weight of waste have been disclosed on the Company's website and MOPs. In order to reduce the impact of the Company's operation activities on the environment, the Company is committed to implement energy-saving and carbon-reduction strategies. Relevant measures include: regular review for greenhouse gas emissions, equipment of energy-saving lighting, digitization of documents, carton reduction, energy saving, and fixed air-conditioning temperature, reduce waste and water consumption, etc.	None
4. Social Topics (i) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The Company has always paid attention to human rights, and respected internationally recognized human rights regulations. In accordance with internationally recognized human rights standards and relevant laws and regulations on labor and gender equality in work, the Company formulate relevant	None

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
			human rights protection, labor policies and related implement measures. Meanwhile, we actively implement the "Code of Conduct for Responsible Business Alliances" and treat all the formal employees and contract personnel with respect.	
(ii) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		The Company provides well-developed welfare system and competitive remuneration based on individual's performance. In addition to the holiday bonuses, there are also employee cash compensation, incentive bonuses, and patent bonuses, etc. In order to truly understand the performance of each colleague, we have established a complete performance appraisal management procedure as a criterion for personnel promotion, salary adjustment and bonus payment. The Company also provides a vacation system and special leave on the day of employment, which is superior to the statutory number of days required by the Labor Standards Law.	None
(iii) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		The Company provides a safe and healthy working environment to improve the quality of products and the enthusiasm of employees. To prevent occupational disasters during the work and to reduce the risk in the working environment, the Company abides local and international regulations on labor safety, health, and social responsibility. The Company regularly organizes health lectures and conducts health check-up to ensure the safety and health of colleagues. Meanwhile, the Company has cosign professional nurses and physicians, who conduct regular consultations, analyze the results of health check-up and work-related factors, and conduct hierarchical management and	None

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
			follow-up for specific ethnic groups to prevent potential risks.	
(iv) Has the Company established effective training plans for career development?	V		The Company has spared no effort in educating profession personnel, and providing perfect assistance in both work and daily life. We also offer long-term plans for education and training, on-the-job training, and future career development based on individuals' professions. The plans include: newcomer training, professional training, language training, supervisor training, general training, domestic and foreign education, future career development, etc.	None
(v) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	V		The Company follows the ISO spirit and produces goods in accordance to relevant regulations and international standards (Ex: JEDEC, EU RoHS / WEEE, etc.) to protect the health and safety of our customers. We have also paid attention to trademark and corporate image maintenance, customer privacy protection and set up the Legal Department cooperates with cosign consultations, who help with complying regulations and adoptions of necessary measures. At the same time, the Company formulates procedures to handle customer complaint and returned products to ensure and protect customer rights.	None
(vi) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V		The Company has formulated procedures for supplier investigation, assessment standards, and outsourcing factory management based on ISO standards. The suppliers are required to follow relevant regulations for environmental, human rights, occupational safety and health implementation, and to be reviewed regularly.	None
5. Does the Company follow the international reporting rules or guidelines to publish CSR Report to disclose non-financial	V		The Company's 2019 Corporate Social Responsibility Report is written in accordance with the	None

Assessment Item	Operation			Non-implementation and Its Reason(s)
	Yes	No	Implementation Status	
information of the Company? Has the Report acquire verification or statement of assurance from the 3rd certification party?			core options of the GRI Standards and AA1000 Type II and has been published on the Company's website. The Corporate Social Responsibility Report for the year ended Dec.31, 2020, is expected to be declared at the Public Information Observatory and disclosed on the company's official website after passing the SGS verification in Aug.2021.	
6. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences: The Company has disclosed implementation and governance of corporate social responsibility in the ISO documents. The Corporate Sustainability Committee sets up the management policy and goals based on corporate social responsibility code, and conducts annual review on the implementation status.				
7. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: (i) A corporate social responsibility section is set up on the Company's website to provide stakeholders with immediate access to important information. (ii) In response to the occurrence of social disasters, donations from colleagues are occasionally initiated to help those in need. (iii) The Company has established a charity fundraising mechanism, which conducts regular fundraising activities and donates to charity. (iv) Budgets are made each year to donate to charities and charitable groups. (v) In order to protect the environment and to cherish water resources, the Company regularly promotes energy conservation measures, and equipped the office building with a rainwater reuse system, which generate the rainwater for landscape and flower watering.				

(6) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

The internal management measures and implementation status of the Group are in compliance with the Company Law, the Securities Exchange Law and the local related legal regulations of the various affiliates. The executives and the Directors all fulfill the duty of care as the Company's manager, and maintain a good communication channel with the external auditor to implement the Integrity Management Principle.

Corporate Conduct and Integrity Implementation as Required by the Taiwan Financial Supervisory Commission

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1. Establishment of Integrity Policy and implementation measures
(i) Has the Company formulated a clear integrity management policy approved by the Board of Directors, bylaws and publicly available documents addressed its corporate conduct and ethics policy and measures, and the Board and senior executives fully committed to the implementation of such policy?</td><td>V</td><td></td><td>The company has formulated the "Integrity Management Code" and the "Integrity Management Operating Procedures and Behavior Guidelines" to specifically regulate all personnel of the company (including subsidiaries) in the process of engaging in business activities, and shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or commit other dishonest acts that violate integrity, lawlessness, or breach of fiduciary duty, to obtain or maintain benefits.
The "Code of Integrity Management" has been approved by the Company's Board of Directors. Related policies and plans have also been disclosed on the Company's official website.

The integrity management section of the Company's website:
https://www.faraday-ech.com/tw/content/CSR/EthicalManagement
The Board of Directors of the company perform the duty of care of good managers and supervise the Company to prevent dishonest behaviors to ensure the implementation of the integrity management policy. In addition, to improve the integrity of the Company's operations, the audit unit included the compliance of the "Integrity Management Code" into the scope of inspection and regularly reported to the Board of Directors about the deficiencies and improvement measures.

Relevant regulations of the Company's integrity management:
https://www.faraday-tech.com/tw/content/CSR/CorporationGovernance
Directors who have an interests in themselves or the legal person they represent, which may be harmful to the Company’s interests, shall not participate in the Board of Directors' discussions and voting.</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(ii) Has the Company established an assessment mechanism for the risk of dishonesty, analyzed and evaluated regularly business activities with a high risk of dishonesty, and formulated a plan to prevent dishonesty, and covered at least the precautionary measures in the paragraph 2, Article 7 of "Code of Integrity Operation for OTC Companies”?	V		In the "Code of Integrity Management" and "Operating Procedures and Behavior Guidelines for Integrity Management", the Company aims at preventing bribes, dissuading illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainment or other improper benefits, infringement of trade secrets, trademark rights, patent rights, copyrights and other intellectual property rights, and engaging in unfair competitive behaviors, products and services directly or indirectly damaging the rights, health and safety of consumers or other interested parties during research and development, procurement, manufacturing, provision or sales. The Company conducts risk evaluation for the corruption-related issues through self-inspection by related unit and self-assessment by the law compliance unit to effectively prevent and implement Integrity Management. Moreover, the audit unit conducts independent evaluation to ensure the operation of the overall mechanism to jointly manage and prevent the occurrence of dishonest behaviors. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	None
(iii) Does the Company specify and implement the operating procedures, behavior guidelines, penalties and grievance system to prevent dishonesty, and regularly review and revise the above-mentioned policies?	V		In the "Guidelines for Integrity Management Operation Procedures and Behaviors", the Company explicitly regulates the matters that should be paid attention to in the implementation of business. Before establishing business relationships, consider the legality of agents, suppliers, customers, and other business transactions and whether they are involved in fraudulent behavior. We avoid transactions with dishonest behaviors, and clearly state the Company’s Integrity Management policies,	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			expressly refuse to directly or indirectly provide, promise, request or accept any illegitimate benefits in any form. Meanwhile, the Company has laid down the "Law on Prosecution of Dishonest Behaviors" and established the reporting system, channels hotlines and e-mail for related dishonest behaviors. The whistleblower's identity and the content of the report are kept confidential, or appropriate protective measures are taken in accordance with the law. For reporting cases, if the investigation proves that there is a violation of relevant laws or regulations or the Company's Integrity Management policies and regulations, the reported person will immediately be prohibited from any business activity. Appropriate actions and measurements will be conducted. If the circumstances are serious, the Company may dismiss the person and ask for compensation in accordance with laws and Company regulations to protect the Company's reputation and rights. To ensure that every personnel of the Company follows the rules, the Company regularly conducts education, training, and promotion to help them fully understand the Company's determination, policies, prevention plans, consequences and punishment of dishonest behavior. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
2. Integrity Management Practice (i) Does the Company assess the integrity record of each business-related personnel, and include	V		The Company evaluates the legality, integrity management policies and record of dishonest behaviors of counter agents, suppliers, customers or other business contacts before establishing any business relationship. The measures help to ensure	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
business conduct and integrity related clauses in the business contracts?			the counterparties operate fairly and transparently, and will not request, offer or accept bribes. When cosigning with customers and suppliers, the Company includes the Integrity Policy in the business contract. If any counterparty is found with dishonest behavior, the transaction and cooperation terminate immediately, so as to implement the Company's Integrity Management Policy. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
(ii) Does the Company set up a special unit under the Board of Directors to promote Corporate Integrity Management, and regularly (at least on an annual basis) report to the Board on its Integrity Management policies and plans to prevent dishonesty and to supervise the implementation?	V		Under the Integrity Management policy set by the Board of Directors, the Company has set up an "Integrity Management Team" in the Corporate Sustainability Committee. The Team promotes the Company's integrity management, anti-corruption, anti-bribery, compliance with laws and regulations, and governance matters. They also directly report its implementation status to the Board of Directors annually. Please refer to the Company's website for more infomation:https://www.faraday-tech.com/tw/content/CSR/CorporateSustainability In addition, Integrity Management Team has formulated the Company's "Code of Integrity Management". The Board of Directors has approved the formulation, amendment, or revocation of the Code. The Board also pays attention and supervises the company from any dishonest behavior to ensure the implementation of the Integrity Management.	None
(iii) Has the Company established a policy to prevent conflicts of interest, provide a proper whistleblowing	V		The Company has set up a policy to avoid conflicts of interest in the "Integrity Management Operating Procedures and Conduct Guidelines". The Company's Directors, managers, stakeholders and any attendee of the Board Meeting, who has	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
channel, and implement which accordingly?			conflict interest to the resolutions, should disclose the information and give up his/her right to vote when the conflicts are in doubt. In addition, the above-mentioned personnel shall withdraw the discussion and shall not vote by proxy for other Directors. The Directors should be self-disciplined and covered others' conflict of interests. During the execution of company business, any personnel of the company that finds conflicts with their own interests or the legal persons he/she represents, or may obtain illegitimate benefits for himself/herself, spouses, parents, children or other stakeholders, shall report the matters to the supervisor and responsible units for appropriate guidance. The employees of the company shall not use any company resources for business activities outside the company, and shall not affect their work performance while participating in business activities outside the company. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
(iv) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		The company has a rigorous accounting and internal control system, including paying attention to related party transactions, establishing a bargaining system and a layered authorization review system, etc. If an employee found that any violation of the Integrity Code during business operation, they are responsible to report the incident.	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(v) Does the Company hold regular internal and external education training for Integrity Management?	V		The company actively implements the promotion and implementation of the Integrity Management. In addition to requiring all colleagues to sign the Integrity Code, we keep educating and training relevant personnel, conducting legal compliance advocacy, and regularly reviewing various measures to enhance the implementation of Company's Integrity Management. The Company also conducts education, training, and advocacy of Integrity Management and Integrity Codes for every newcomer to help all colleagues fully understand the company's determination, policies, prevention plans and the consequences of violating the Integrity Management policy. In 2020, a total of 677 person-hours were trained educated on the Integrity Management. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	None
3. . Implementation of Complaint Procedures (i) Has the Company established a specific reporting and reward system, a convenient reporting pipeline, and assigns appropriate responsible personnel to the respondents?	V		The Company has set up a specific reporting system in accordance with the "Code of Integrity Management" and "Integrity Management Operating Procedures and Behavior Guidelines" to actively prevent dishonest behaviors, encourage internal and external personnel to report dishonest or improper behaviors. The audit office is designated to accept reports. The Stakeholder Area on the official website provides effective communication channel for employees, shareholders, stakeholders, and outsiders. If the report involves Directors or senior executives, the report will be sent to Independent Directors	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
	V		or Supervisors, and establish the whistleblower protection system. The identity and contents of the report are kept confidential or being appropriate protect in accordance with the law. The whistleblower is also protected from improperly punishment. In 2020, a total of 0 external reporting cases were accepted and 0 employees directly reported, and there were no cases of dishonest behavior. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
(ii) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		The Company firmly follows the Company's whistleblowing channels, investigation and processing procedures and whistleblowers' protection measures in the " Procedures for Reporting Illegal Unethical and Dishonest" to ensure the legal rights of relevant personnel. The company handles whistleblowing cases promptly, impartially and objectively and in a confidential manner, keeps the identity and contents of the whistleblowers confidentially, and takes appropriate protective measures according to law. If the accused personnel is proved to violate relevant laws and regulations or the Company's Integrity Management policies and regulations, he/she should immediately stop all the relevant behavior. The Company may dismiss the violator, and request for compensation through legal procedures to protect the company's reputation and rights. Constructive reporting is the act of protecting the rights of employees, the Company and shareholders. The Company may offer appropriate rewards to the whistleblower according to the situation.	None

Assessment Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
			The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
(iii) Does the Company take measures to protect the whistleblower from improper treatment due to the report?	V		As described above, the Company takes appropriate protective measures for the informant, including but not limited to: the name of the informant or any fact sufficient to identify the person shall not be recorded in the public document without the whistleblower’s agreement; the whistleblower’s address, telephone, e-mail, or relevant information must be kept strictly confidential; the investigation and verification should be done without revealing the whistleblower’s identity. If the whistleblower is an employee, the company guarantees he/she will not be subject to improper disposal due to the whistleblowing. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	None
4. Information Disclosure (i) Does the Company disclose information regarding its Integrity Management measures and implementation on its website and Market Observation Post System (MOPS)?	V		The Company has disclosed the "Integrity Management Code", "Integrity Management Operation Procedures and Behavior Guidelines" and "Unfaithful Behavior Prosecution Law" and relevant information about Integrity Management. The implementation status in 2020 is as follows: education and training are conducted on the integrity of business activities, the prohibition of dishonest behavior and the harm to the interests of stakeholders, and the	None

Assessment Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			confidentiality obligations to the company's intellectual property. The Company promotes the theme of "Implementing the Value of Honesty and Sustainable Development of the Enterprise" in colleague meetings, labor-management meetings, supervisor meetings, new recruit training, internal webpages, and intranet. We also remind the colleagues about matters they should pay attention during business operation through summarizing the Integrity Management Code, the Internal Major Information Processing Procedure, and case studies. In addition, Integrity Management is incorporated into employee performance appraisal and human resources policies, while a clear and effective punishment system has been established. There are no corruption or anti-competitive behaviors reported in 2020. The whistleblowing system and whistleblower protection are working perfectly, and none of the dishonest cases were reported by external and internal personnel. The integrity management area of the company's website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: None.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): Please refer to the company's website for relevant information regarding the Company's " Ethical Management Policy ", " Corp Procedures for Ethical Management and Guidelines for Conduct " and " Procedures for Reporting Illegal Unethical and Dishonest " Relevant regulations of the company's integrity management: https://www.faradaytech.com/tw/content/CSR/EthicalManagement The integrity management area of the company's website:				

Assessment Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
https://www.faradaytech.com/tw/content/IR/CorporateGovernance				

(VII) For if the Company has established corporate governance code and relevant regulations, please inquire as follows: The Group has established relevant regulations on corporate governance in compliance with the ‘Corporate Governance Code for Listed Companies’, the Company website is set with a ‘Corporate Governance’ section for investors to inquire and download.

The integrity management area of the company's website:
https://www.faradaytech.com/tw/content/CSR/EthicalManagement
Relevant regulations of the company's integrity management:
https://www.faradaytech.com/tw/content/IR/CorporateGovernance

(VIII) Other important information sufficient for increasing understanding of corporate governance operations:

1. Diversification policy:

The company’s Board of Directors passed the "Code of Practice on Corporate Governance" on February 13th, 2020. In Chapter 3, the company formulated a diversified policy in "Strengthening the Functions of the Board of Directors", and specified the election methods for Directors (including Independent Directors) in the "Article of Incorporation". The election adopts a candidate nomination system. Therefore, when electing Directors (including Independent Directors), the Company considers not only the professional background of the Directors (including Independent Directors), but the diversity of the Board structure.

2. Specific management objectives and achievements:

The Company's Board of Directors shall guide the Company's strategy, supervise the executives, and be responsible to the Company and shareholders. The operations and arrangements of the corporate governance system shall ensure that the Board exercises its powers in accordance with laws and regulations, the Company's Articles of Incorporation, or the resolutions of the shareholders meeting. To meet the needs of the Company's business development, the Company's Board of Directors should include experts and scholars in industry, finance, accounting, management, etc.; the Board members should cover innovative capabilities, business experience, etc., so it should include at least one person for each professional field such as finance, law, and technology. In addition, the Company also pays attention to gender equality in the composition of the Board of Directors; therefore, we elect at least one female Director. The implementation status is as follows: The current term of the Company's Board of Directors is consist of 9 financial professionals, 1 law professional, and 6 technology-industry professionals, while the number of women is 2 in total.

3. The current diversification status of Board members is as follows:

The company has 9 Directors (including 3 Independent Directors), 2 of which are women (including 1 Independent Director), and 4 of which are the Company's employee. The Directors' professional backgrounds cover management, science and engineering, and finance. Moreover, they are technology industry operators. The Board members have diverse backgrounds in industry, academia, and knowledge, so they can help the improvement of the Company's performance and management efficiency from different professional angles. The professional backgrounds and overall abilities of the Board members are as follows:

Title	Name	Gender	Legal Representative	Background			Professions							
				Finance	Legal	Technology	Operation	Accounting and Financial Analysis	Management	Risk Management	Industrial Knowledge	View of International Market	Leadership	Strategy Decision
Chairman & CSO	Chia-Tsung Hung	Male	United Microelectronics Corporation	√		√	√	√	√	√	√	√	√	√
Director	Ying-Sheng Shen	Male	United Microelectronics Corporation	√		√	√	√	√	√	√	√	√	√
Director	Chung-Laung Liu (Note)	Male	Unimicron Technology Corp.	√		√	√	√	√	√	√	√	√	√
Director & President	Kuo-Yung Wang	Male		√		√	√	√	√	√	√	√	√	√
Director & COO	Shih-Chin Lin	Male		√		√	√	√	√	√	√	√	√	√
Director & CFO	Wen-Ju Tseng	Female		√			√	√	√	√	√	√	√	√
Independent Director	Ling-Ling Wu	Female		√			√	√	√	√	√	√	√	√
Independent Director	Ning-Hai Jin	Male		√		√	√	√	√	√	√	√	√	√
Independent Director	Bing-Kuan Luo	Male		√	√		√	√	√	√	√	√	√	√

Note: The legal representative stepped down on November 9th, 2020

(IX) Execution of internal control system

1. Internal Control Statement

Faraday Technology Corporation
Internal Control System Statement

Date: February 23, 2021

The internal control system of the Company in the year 2020 is based on the results of self-assessment, and is hereby declared as follows:

I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company. The Company has established such a system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and asset security, etc.), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with relevant regulations, ruling and laws.

II. The internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the achieving the above-mentioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions against once a deficiency is identified.

III. The Company evaluates the design and effectiveness of the internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several sub-items, which can be found in the Regulations.

IV. The Company has evaluated the design and effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the results of the evaluation, the Company believes that the Company's internal control system (including supervision and management our subsidiaries), on December 31, 2020, has maintained effective, to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations

VI. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. This statement was approved by the Company’s Board of Directors on February 23, 2021. with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Faraday Technology Corporation

Chairman: CHIA-TSUNG, HUNG

President: KUO-YUNG WANG

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: Not applicable.

(X) In the most recent year and until the publication of the annual report, the Company and its internal personnel punished according to law, and the Company punished its internal personnel for violating the internal control system, major defects, and relevant improvement: None.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and until publication of the annual report

Date of important resolutions	Content of important resolutions
Board Meeting on February 13th, 2020	1. Passed the 2019 Business Report and Financial Statements. 2. Laid down the Company's policy of Ethical Management. 3. Laid down the Company's policy of Corporate Governance, and appoint the CFO as the head of Corporate Governance. 4. Reviewed the independence external auditor and appoint the auditors to the company's 2020 financial statements and auditing. 5. Changed of the company's co-signing partner in response to the organization adjustment of Ernst & Young. 6. Reviewed the remuneration distribution of Directors and employees for 2019. 7. Appointed the Company's new audit supervisor. 8. Passed the plan for the surplus distribution. 9. Passed the date and agenda of 2020 Shareholders' Regular Meetings.
Board Meeting on March 25th, 2020	1. Passed the election of one additional Director for the 10th term Board. 2. Released the newly elected Directors from non-competition restrictions. 3. Updated the agenda of 2020 Shareholders' Regular Meetings.
Board Meeting on April 23rd, 2020	1. Reviewed the company's Business Report for the 1st quarter of 2020. 2. Formulated the company's Risk Management Policy
Shareholders' Meeting on May 28th, 2020	1. Passed the 2019 Business Report, Financial Statements and surplus distribution plan. 2. Elected one additional Director for the 10th term Board. 3. Released the newly elected Directors from non-competition restrictions.

Board Meeting on July 24th, 2020	1. Reviewed the company's Business Report for the 2nd quarter of 2020. 2. Formulated the Company's Board Performance Evaluation Measures 3. Amended the Company's Code of Procedures for Board Meetings 4. Amended the Company's Director Election Method 5. Amended the Company's Audit Committee Organizational Rules 6. Amended the Company's Salary and Compensation Committee Organization Rules 7. Amend the Company's Corporate Governance Code 8. Amended the Company's Regulations for Related Financial Business Operations Between Affiliated Enterprises
Board Meeting on October 27th, 2020	1. Reviewed the company's Business Operations Report for the 3rd quarter of 2020. 2. Passed 2021 audit proposal.
Board Meeting on December 14th, 2020	1. Formulated the company's "Insider Trading Prevention Measures".
Board Meeting on February 23rd, 2021	1. Passed the 2020 Business Report and Financial Statement 2. Reviewed the remuneration distribution of Directors and employees for 2020. 3. Reviewed the independence of accountants and appointment of accountants to handle various financial statements in 2021 and visa verification of the income tax of profit-making enterprises. 4. Passed the date and agenda of 2021 Shareholders' Regular Meetings 5. Passed the plan for electing nine Directors for the Company's 11th term board members (including three Independent Directors)
Board Meeting on March 30th, 2021	1. Passed plan for the surplus distribution 2. Nominate for the Company's 11th term board members 3. Released the newly elected Directors from non-competition restrictions 4. Passed the decision of the appointment of the company's new audit supervisor

Execution of important resolutions of 2020 Shareholders' Meetings:

After passing the plan for distribution of surplus at the Shareholders' Meeting, the Company has set July 8th, 2020 as the ex-dividend date, and have issued all cash dividends on July 31st, 2020.

(XII) If the director or supervisor has had different opinions on the passing of important resolutions in the Board Meeting, with supporting records or written statements of opposing opinions in the most recent year and until the publication of the annual report: None.

(XIII) Resignation or dismissal of personnel related to Financial Statements (including Chairman, President, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, Research and Development Supervisor, etc.) in the most recent year and until publication of the annual report:

Position	Name	Date of Office	Date of Dismissal	Reason(s) for Resignation or Dismissal
Internal Audit Supervisor	Wan-Ting Huang	February 13th, 2020	March 30th, 2021	Position adjustment

4. Audit fees:

(i) If the non-audit fees paid by the authorized accountant, the accountant's affiliated office and its related enterprise outweighed one quarter of the audit fee, the amount of the audit and non-audit fees and the non-audit service content shall be disclosed:

Unit: NTD thousand

Accounting Firm	Names of CPA	Audit Fee	Non-audit Fees					CPA' Audit Period	Remark
			System Design	Company Registration	Human Resources	Others	Sub-total		
Ernst & Young	Wan-Ju Chiu, Hsin-Min Hsu	4,845	420	-	-	878	1,298	2020	Others of the non-audit fees is mainly the annual fees of overseas companies and fees for applying preferential income tax rates.

(ii) If the audit firm is replaced and the audit fee paid is lower than the year before the replacement, the amount of the current and previous audit fee and the reason shall be disclosed: Not applicable.

(iii) If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason for the reduction shall be disclosed: Not applicable.

5. Change of CPAs information: Due to the internal organization adjustment of Ernst & Young Global Limited, the financial statements will be reviewed by Wan-Ju Chiu and Hsin-Min Hsu from the first quarter 2020.

6. The Company's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in charge of its finance and accounting operations holding any positions within the Company's independent audit firm or its affiliates in the most recent year: None.

7. Equity transfer and pledge changes by Directors, Supervisor, Management and Shareholders with 10% shareholdings or more in the most recent year and up to the date of publication of the annual report

(I) Net change in shareholding by Directors, Management and Shareholders with 10% shareholdings or more:

Unit: Share

Position	Name	2020		2021 (until March 31st)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director (Note 1)	United Microelectronics Corporation	–	–	–	–
Director	Unimicron Technology Corp.	–	–	–	–
Representative of Legal Person Director and Chief Strategy Officer	Chia-Tsung, Hung	–	–	–	–
Representative of Legal Person Director	Ying-sheng, Shen	–	–	–	–
Former Representative of Legal Person Director	Chung-Laung Liu (Note 2)	–	–	–	–
Director and President	Kuo-Yung Wang	140,000	–	140,000	–
Director and Chief Operating Officer	Shih-Chin Lin	–	–	–	–
Director and Chief Financial Officer	Wen-Ju Tseng	53,000	–	53,000	–
Independent Director	Ling-Ling, Wu	–	–	–	–
Independent Director	Ning-Hai, Jin	–	–	–	–
Independent Director	Bing-kuan, Luo	–	–	–	–
Senior Vice President	Chien-Ming Chen	70,000	–	70,000	–
Vice President	Jyh-Herng Wang	76,000	–	76,000	–
Vice President	Kun-Cheng Wu	10,000	–	50,000	–
Associate Vice President	Chih-Shiun Lu	30,000	–	60,000	–

Position	Name	2020		2021 (until March 31st)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Associate Vice President	Yi-Chi, Huang (Note 3)	(18,000)	–	–	–
Associate Vice President	Po-Hao Mao (Note 3)	(8,000)	–	–	–
Associate Vice President	Rong-Shing Lai	60,000	–	60,000	–
Associate Vice President	Cheng-Hsing Chien	70,000	–	70,000	–
Associate Vice President	Kuo-Hua Lee	60,000	–	60,000	–

Note 1: Major shareholders with more than 10% shareholdings.
Note 2: The legal representative stepped down on November 9th, 2020
Note 3: Information of equity transfer and pledge while serving as internal officers.
Note 4: Stock trades are not with related parties.

(II) Equity transfer information: None.

(III) Equity pledge information: None.

8. Related party relationship or spouses and second-tier kinship among the Company's 10 largest Shareholders:

March 27th, 2021 Unit: Share

NAME	PERSONAL SHAREHOLDING		SHARES HOLD BY SPOUSE, UNDERAGED CHILDREN		SHARES HOLD UNDER THE NAME OF OTHERS		THE TITLE OR NAME AND RELATIONSHIP AMONGST TOP TEN MAJOR SHAREHOLDERS WITH RELATIONSHIP OR AS THE SPOUSE, DIRECT KINSHIP ACCORDING TO ARTICLE 6 OF FINANCIAL ACCOUNTING STANDARDS		REMARKS
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or Name)	Relationship	
UNITED MICROELECTRONICS CORPORATION	34,240,213	13.77%	Not Applicable				None	None	
REPRESENTATIVE: CHIA-TSUNG, HUNG	–	–	–				–	–	
ALLIANZ GLOBAL INVESTORS TAIWAN TECHNOLOGY FUND	8,300,000	3.34%	Not Applicable				None	None	
THE GOLDMAN SACHS GROUP, INC.	5,131,618	2.06%	Not Applicable				None	None	
TRANS GLOBE LIFE INSURANCE CO., LTD.	4,536,000	1.84%	Not Applicable				None	None	
REPREENTATIVE: TENG-TE PENG	–	–	–				–	–	
DEUTSCHE BANK TAKES CARE OF WEISDENTRI'S ARTIFICIAL INTELLIGENCE ETF	4,321,124	1.74%	Not Applicable				None	None	

NAME	PERSONAL SHAREHOLDING		SHARES HOLD BY SPOUSE, UNDERAGED CHILDREN		SHARES HOLD UNDER THE NAME OF OTHERS		THE TITLE OR NAME AND RELATIONSHIP AMONGST TOP TEN MAJOR SHAREHOLDERS WITH RELATIONSHIP OR AS THE SPOUSE, DIRECT KINSHIP ACCORDING TO ARTICLE 6 OF FINANCIAL ACCOUNTING STANDARDS		REMARKS
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or Name)	Relationship	
INVESTMENT ACCOUNT									
JPMORGAN IN CUSTODY FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,182,786	1.28%	Not Applicable				None	None	
VANGUARD FTSE EMERGINH MARKETSSTOCK INDEX FUND	2,644,000	1.06%	Not Applicable				None	None	
MING-CHIEH TSAI	2,601,412	1.05%	–				–	–	
CITI HOSTS PRIVATE ISLAMIC ASIA STRATEGIC ASSIGNMENT ACCOUNT	2,513,000	1.01%	Not Applicable				None	None	
NEW LABOR PENSION FUND	2,274,500	0.92%	Not Applicable				None	None	

9. Shareholdings of the Company, its Directors, managers and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the ratio of consolidated shareholdings

March 31st, 2021 Unit: Thousand shares

Transfer investment (Note)	The Company's investment		Investment of Director, Manager, or under direct or indirect control of businesses		Consolidated investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Faraday Technology Corporation (USA)	118,580(common stock) 2,000 (preferred stock)	100%	—	—	118,580(common stock) 2,000 (preferred stock)	100%
Faraday Technology Japan Corporation	2	99.95%	—	—	2	99.95%
Faraday Technology-B.V.I.	22,140	100%	—	—	22,140	100%
Chi Hong Investment Co., Ltd	62,000	100%	—	—	62,000	100%
Sheng Bang Investment Co., Ltd	22,202	100%	—	—	22,202	100%
Faraday Technology Vietnam Company Limited	—	100%	—	—	—	100%

IV. Capital Raising

1. Capital and shares

(I) Source of capital

1. Capital formation

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
March, 2009	10	420,000	4,200,000	359,303	3,593,029	Transfer of employee stock option certificates	None	Note 1
April, 2009	10	420,000	4,200,000	359,311	3,593,109	Transfer of employee stock option certificates	None	Note 2
May, 2009	10	420,000	4,200,000	359,756	3,597,564	Transfer of employee stock option certificates	None	Note 3
August, 2009	10	420,000	4,200,000	360,607	3,606,071	Transfer of employee stock option certificates	None	Note 4
August, 2009	10	420,000	4,200,000	365,334	3,653,343	Capital increase transferred from surplus	None	Note 5
January, 2010	10	420,000	4,200,000	367,344	3,673,445	Transfer of employee stock option certificates	None	Note 6
April, 2010	10	500,000	5,000,000	369,987	3,699,873	Transfer of employee stock option certificates	None	Note 7
June, 2010	10	500,000	5,000,000	370,447	3,704,473	Transfer of employee stock option certificates	None	Note 8
August, 2010	10	500,000	5,000,000	370,538	3,705,383	Transfer of employee stock option certificates	None	Note 9
January, 2011	10	500,000	5,000,000	371,952	3,719,523	Transfer of employee stock option certificates	None	Note 10
March, 2011	10	500,000	5,000,000	366,952	3,669,523	Decrease in treasury stock	None	Note 11
April, 2011	10	500,000	5,000,000	370,392	3,703,918	Transfer of employee stock option certificates	None	Note 12
May, 2011	10	500,000	5,000,000	376,886	3,768,858	Transfer of employee stock option certificates	None	Note 13
August, 2011	10	500,000	5,000,000	378,236	3,782,358	Transfer of employee stock option certificates	None	Note 14

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
July, 2011	10	500,000	5,000,000	397,117	3,971,165	Capital increase transferred from capital cumulated	None	Note 15
January, 2012	10	500,000	5,000,000	398,027	3,980,270	Transfer of employee stock option certificates	None	Note 16
April, 2012	10	500,000	5,000,000	398,754	3,987,535	Transfer of employee stock option certificates	None	Note 17
May, 2012	10	500,000	5,000,000	402,310	4,023,098	Transfer of employee stock option certificates	None	Note 18
August, 2012	10	500,000	5,000,000	402,960	4,029,600	Transfer of employee stock option certificates	None	Note 19
January, 2013	10	500,000	5,000,000	403,608	4,036,075	Transfer of employee stock option certificates	None	Note 20
April, 2013	10	500,000	5,000,000	404,246	4,042,459	Transfer of employee stock option certificates	None	Note 21
May, 2013	10	500,000	5,000,000	406,208	4,062,075	Transfer of employee stock option certificates	None	Note 22
August, 2013	10	500,000	5,000,000	406,380	4,063,798	Transfer of employee stock option certificates	None	Note 23
November, 2013	10	500,000	5,000,000	406,893	4,068,930	Transfer of employee stock option certificates	None	Note 24
April, 2014	10	500,000	5,000,000	408,344	4,083,441	Transfer of employee stock option certificates	None	Note 25
May, 2014	10	500,000	5,000,000	411,079	4,110,788	Transfer of employee stock option certificates	None	Note 26
August, 2014	10	500,000	5,000,000	411,470	4,114,703	Transfer of employee stock option certificates	None	Note 27
November, 2014	10	500,000	5,000,000	413,125	4,131,255	Transfer of employee stock option certificates	None	Note 28
March, 2015	10	500,000	5,000,000	414,250	4,142,505	Transfer of employee stock option certificates	None	Note 29
August, 2015	10	500,000	5,000,000	248,550	2,485,503	Decrease in capital and return of stock	None	Note 30

Note 1: Transfer of employee stock option certificates, with 602 thousand shares, has been approved by Hsinchu Science Park Bureau 98.3.20 Yuanshang-zi No. 0980007957.
Note 2: Transfer of employee stock option certificates, with 8 thousand shares, has been approved by Hsinchu Science Park Bureau 98.4.22 Yuanshang-zi No. 0980010023.
Note 3: Transfer of employee stock option certificates, with 445 thousand shares, has been approved by Hsinchu Science Park Bureau 98.5.19 Yuanshang-zi No. 0980013417.
Note 4: Transfer of employee stock option certificates, with 851 thousand shares, has been approved by Hsinchu Science Park Bureau 98.8.20 Yuanshang-zi No. 0980022629.
Note 5: Capital surplus transferred from surplus of NTD $47,271 thousand from 2009, with 4,727 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 98.7.10 Jinguan-zheng Fa-zi No. 0980034538.
Note 6: Transfer of employee stock option certificates, with 2,010 thousand shares, has been approved by Hsinchu Science Park Bureau 99.1.22 Yuanshang-zi No. 0990001404.
Note 7: Transfer of employee stock option certificates, with 2,643 thousand shares, has been approved by Hsinchu Science Park Bureau 99.4.9 Yuanshang-zi No. 0990009112.
Note 8: Transfer of employee stock option certificates, with 460 thousand shares, has been approved by Hsinchu Science Park Bureau 99.6.1 Yuanshang-zi No. 0990014595.
Note 9: Transfer of employee stock option certificates, with 91 thousand shares, has been approved by Hsinchu Science Park Bureau 99.8.16 Yuanshang-zi No. 0990023695.
Note 10: Transfer of employee stock option certificates, with 1,414 thousand shares, has been approved by Hsinchu Science Park Bureau 100.1.14 Yuanshang-zi No. 1000001274.
Note 11: Decrease in treasury stock, with 5,000 thousand shares, has been approved by Hsinchu Science Park Bureau 100.3.14 Yuanshang-zi No. 1000007430.
Note 12: Transfer of employee stock option certificates, with 3,440 thousand shares, has been approved by Hsinchu Science Park Bureau 100.4.22 Yuanshang-zi No. 1000010699.
Note 13: Transfer of employee stock option certificates, with 6,494 thousand shares, has been approved by Hsinchu Science Park Bureau 100.5.18 Yuanshang-zi No. 1000013784.
Note 14: Transfer of employee stock option certificates, with 1,350 thousand shares, has been approved by Hsinchu Science Park Bureau 100.8.19 Yuanshang-zi No. 1000024283.
Note 15: Capital surplus transferred to capital of NTD $188,807 thousand, with 18,881 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 100.7.18 Jinguan-zheng Fa-zi No. 1000033188.
Note 16: Transfer of employee stock option certificates, with 910 thousand shares, has been approved by Hsinchu Science Park Bureau 101.1.17 Yuanshang-zi No. 1010001486.
Note 17: Transfer of employee stock option certificates, with 727 thousand shares, has been approved by Hsinchu Science Park Bureau 101.4.11 Yuanshang-zi No. 1010010460.
Note 18: Transfer of employee stock option certificates, with 3,556 thousand shares, has been approved by Hsinchu Science Park Bureau 101.5.15 Yuanshang-zi No. 1010014163.
Note 19: Transfer of employee stock option certificates, with 650 thousand shares, has been approved by Hsinchu Science Park Bureau 101.8.16 Yuanshang-zi No. 1010025281.
Note 20: Transfer of employee stock option certificates, with 648 thousand shares, has been approved by Hsinchu Science Park Bureau 102.1.16 Yuanshang-zi No. 1020010747.
Note 21: Transfer of employee stock option certificates, with 638 thousand shares, has been approved by Hsinchu Science Park Bureau 102.4.16 Yuanshang-zi No. 1020010896.
Note 22: Transfer of employee stock option certificates, with 1,962 thousand shares, has been approved by Hsinchu Science Park Bureau 102.5.16 Yuanshang-zi No. 1020014150.
Note 23: Transfer of employee stock option certificates, with 172 thousand shares, has been approved by Hsinchu Science Park Bureau 102.8.15 Yuanshang-zi No. 1020024332.
Note 24: Transfer of employee stock option certificates, with 513 thousand shares, has been approved by Hsinchu Science Park Bureau 102.11.15 Yuanshang-zi No. 1020034787.
Note 25: Transfer of employee stock option certificates, with 1,451 thousand shares, has been approved by Hsinchu Science Park Bureau 103.4.1 Chushang-zi No. 1030009307.
Note 26: Transfer of employee stock option certificates, with 2,735 thousand shares, has been approved by Hsinchu Science Park Bureau 103.5.6 Chushang-zi No. 1030012756.
Note 27: Transfer of employee stock option certificates, with 391 thousand shares, has been approved

by Hsinchu Science Park Bureau 103.8.13 Chushang-zi No. 1030023635.

Note 28: Transfer of employee stock option certificates, with 1,655 thousand shares, has been approved by Hsinchu Science Park Bureau 103.11.19 Chushang-zi No. 1030033760.

Note 29: Transfer of employee stock option certificates, with 1,125 thousand shares, has been approved by Hsinchu Science Park Bureau 104.3.30 Chushang-zi No. 1040008253.

Note 30: Decrease in capital and return of capital, with 165,700 thousand shares, has been approved by Hsinchu Science Park Bureau 104.8.4 Chushang-zi No. 1040022281.

2. Type of shares issued in the recent year and until publication of annual report

May 7th, 2021 Unit: Share

Type	Approved share capital			Remarks
	Issued share	Unissued share	Total	
Common stock	248,550,313	351,449,687	600,000,000	Stock of listed company

(II) Shareholder structure

March 27th, 2021 Unit: Share

Shareholder structure / Number	Government Agency	Financial Organization	Other Legal Persons	Individual	Foreign Organization and Legal Persons	Total
Number of people	2	20	153	56,642	129	56,946
Share hold	2,640,000	14,345,678	35,096,326	139,476,893	56,991,416	248,550,313
Shareholding ratio	1.06%	5.78%	14.12%	56.11%	22.93%	100.00%

(III) Dispersion of shares

Common stock

March 27th, 2021

Shareholding level	Number of shareholders	Share hold	Shareholding ratio
1 to 999	29,458	3,485,687	1.40%
1,000 to 5,000	22,520	44,491,372	17.90%
5,001 to 10,000	2,843	21,989,797	8.85%
10,001 to 15,000	719	9,256,486	3.72%
15,001 to 20,000	473	8,782,033	3.53%
20,001 to 30,000	354	9,160,612	3.69%
30,001 to 50,000	242	9,646,250	3.88%
50,001 to 100,000	161	11,336,231	4.56%
100,001 to 200,000	90	12,365,562	4.98%
200,001 to 400,000	34	9,663,220	3.89%
400,001 to 600,000	14	6,990,068	2.81%
600,001 to 800,000	8	5,602,684	2.25%
800,001 to 1,000,000	6	5,335,248	2.15%
1,000,001 or more (please set levels according to actual needs)	24	90,445,063	36.39%
Total	53,197	248,550,313	100.00%

(IV) List of major shareholders

March 27th, 2021

Name of major shareholder \ Shares	Share hold	Shareholding ratio
UNITED MICROELECTRONICS CORPORATION	34,240,213	13.77%
ALLIANZ GLOBAL INVESTORS TAIWAN TECHNOLOGY FUND	8,300,000	3.34%
THE GOLDMAN SACHS GROUP, INC.	5,131,618	2.06%
TRANS GLOBE LIFE INSURANCE CO., LTD. REPREENTATIVE: TENG-TE PENG	4,563,000	1.84%
WEISDENTRI'S ARTIFICIAL INTELLIGENCE ETF INVESTMENT ACCOUNT	4,321,124	1.74%
JPMORGAN IN CUSTODY FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,182,786	1.28%
VANGUARD FTSE EMERGINH MARKETSSTOCK INDEX FUND	2,644,000	1.06%
MING-CHIEH TSAI	2,601,412	1.05%
ISLAMIC ASIA STRATEGIC ASSIGNMENT ACCOUNT	2,513,000	1.01%
NEW LABOR PENSION FUND	2,274,500	0.92%

(V) Price per share, net worth, surplus, dividends and relation information of the last two years

Unit: Unit for weighted average number of shares is Share, the others are all in NTD

Item \ Year			2019	2020	2021 (until March 31st)
Price per stock	Highest		65.00	61.40	59.70
	Lowest		39.00	29.15	48.30
	Average		51.29	48.06	53.38
Net asset value for each share	Before distribution		20.94	25.32	26.56
	After distribution		19.84	(Note 1)	—
Earnings per share	Number of weighted average shares		248,550,313	248,550,313	248,550,313
	Earnings per share		1.40	1.08	0.68
Dividend per share	Cash dividend		1.10	(Note 1)	—
	Stock grants	Stock dividend from retained earnings	—	(Note 1)	—
		Stock dividend from capital surplus	—	(Note 1)	—
	Accumulated dividends in arrears		—	—	—
Return on investment analysis	Price-earning ratio		36.64	44.50	—
	Price to dividend ratio		46.63	(Note 1)	—
	Cash dividend yield (%)		2.14	(Note 1)	—

Note 1: Finalized upon resolution of Shareholders' Meeting in 2021.

Note 2: Calculating formulas:

(1) Price-earning ratio = Average annual closing price per share / Earnings per share

(2) Price to dividend ratio = Average annual closing price per share/ Cash dividend per share

(3) Cash dividend yield = Cash dividend per share / Average annual closing price per share

(VI) Company dividend policy and execution

1. Dividend policy

If the Company’s annual accounts are in surplus, they will be distributed in the following order:

(1) Withholding taxes.

(2) Breakeven.

(3) Deposit 10% of which as statutory surplus reserve.

(4) Set or revolve special surplus reserves by law.

(5) The accumulated undistributed surplus in the previous period would act as shareholder bonus. The shareholder bonus will be distributed by the Shareholders’ Meeting, except for the reserved part that will be distributed in subsequent years.

The Company's policy of dividend distribution shall be based on the current and future investment environment, capital requirements, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balancing dividends and long-term financial planning of the Company. Each year, the Board of Directors would draft a distribution proposal and submit which to the Shareholders’ Meeting. As the industry of the Company is currently expanding, the Company is planning for expansion and increasing capital in the future. The proportion of cash dividends distributed in the current year shall not be less than ten percent (10%) of the total dividends.

According to the Company Act, the legal reserve shall be allocated until its total amount has reached the paid-in capital. The legal reserve shall make over the losses; when the company has no losses, it could issue new stocks or cash in accordance from the legal reserve exceeding 25% of the paid-in capital in accordance with the proportion of each shareholder’s shareholdings. When distributing the distributable surplus, the Company makes up the special surplus reserve for the difference between the balance of the special surplus reserve provided and the net deduction of other equity when the IFRS was first adopted in accordance with the law. If there is a subsequent reversion of the net deduction of other equity, the reversion of the net deduction of other equity may be used to revert the special common surplus for distribution.

2. Distribution proposal of dividends in this Shareholders' Meeting

The 10th term Board of Directors have approved the Company's 2020 surplus distribution proposal in the 15th Board Meeting on March 30th, 2021. The proposal will be submitted to the Shareholders' Meeting for discussion, and will formulate a cash dividend of NTD $248,550,313 for a dividend of NTD $1 per share.

(VII) Effect of proposed stock grant distribution on the Company's operating performance and earnings per share: Not applicable.

(VIII) Compensation of employees, Directors and Supervisors

1. The percentage or scope of compensation for employees, Directors and Supervisors stated in the Company's Articles of Incorporation: According to the Company's Articles of Incorporation, after deducting the accumulated loss from the surplus, the Company shall set aside not more than 2% of the remained profit to Directors as remuneration and not less than 10% to employees as compensation. Dividends may issue to employees of subordinate companies that meet certain conditions.

2. The accounting method for difference in actual distributed amounts and the estimated remuneration of employees, Directors and Supervisors, the number of shares compensation:

(1) The Company's Board of Directors distribute the compensation for employees and Directors based on the proposed Article amendments to the regulations, law and regulations, industry level.

(2) Basis for calculating share compensation for employees: Not applicable.

(3) Accounting treatment for the difference in the actual distributed amount and the estimated amount: If there is any difference between the actual distributed amount and the estimated amount, it will be recorded as a change in accounting estimates.

3. Approval of remuneration distribution by the Board of Directors:

(1) Proposed to distribute employees with cash remuneration of NTD $39,969,533 and Directors with cash remuneration of NTD $248,087 which are of no difference from the estimated value of original accounts.

(2) Proportion of employee remuneration distributed in stock to the total

amount of net profit after tax and employee compensation in current parent company financial statements: Not applicable.

4. The actual distribution of compensation for employees, Directors and Supervisors in the previous year (including the number of shares distributed, amount and share price), the difference between the recognition amount, reasons of which and processing of such situations:

   From the self-accumulated surplus in 2019, a total of NTD $51,661,967 was distributed as employee’s cash compensation, and a total of NTD $216,227 was distributed as Director’s cash compensation, the amounts equal the estimated value.

(IX) Buyback of common stock: None.

2. Issuance of corporate bonds: None.
3. Preferred shares: None.
4. Overseas depositary shares: None.
5. Status of employee stock option plan: None.
6. Status of new restricted employee shares: None.
7. Status of new share issuance in connection with mergers and acquisitions: None.
8. Funding pans and implementation

(I) Previously issued or privately held securities have not been completed or have been completed in the last three years that the project benefits have not yet been revealed: None.

(II) Execution: Not applicable.

V. Operations Overview

1. Business scope

(I) Business scope

1. Main business content

(1) Component database for special application integrated circuit design

(2) Electronic design, automatic software tools for special application integrated circuit design

(3) Professional services for the design, manufacture and testing of special application integrated circuits and their components

(4) Design and license services of silicon intellectual property

2. Proportion of each product

Unit: NTD thousand

Type of main products	2020	
	Revenue	Proportion
ASIC and wafer products	3,591,723	65.36%
Non-recurring engineering	1,064,960	19.38%
Intellectual property components and license fee	838,624	15.26%
Total	5,495,307	100.00%

3. Main products and services

(1)Non-Recurring Engineering (NRE): Entrusted by customers to develop and design ASIC products. The Company provides databases of circuit design component and various silicon intellectual property components (SIP) for the design of products, produces circuit diagram for the mask of products, and commissions OEMs for light mask production, wafer production, cutting and product packaging. The Company's engineering personnel also conducts product testing and quality control before handing over production samples to customers.

(2) ASIC products: Conducts mass production of ASIC products under customer commission. After completing the client's commissioned design and the sample product has been accepted by the customer, the Company performs mass production for customers. The final ASIC products are delivered in wafers or packaged and tested ICs to clients.

(3) Silicon Intellectual Property (SIP): SIP is reusable and special featured component for circuits design. In the increasingly sophisticated ASIC design areas, SIP provides customers (mainly IC design house and system vendors) a convenient and fast solution. Faraday SIP can be authorized to be integrated by the customer or used as an optional component in ASIC design project.

4. Planned products and services

(1) Develop 22nm 10/16G programmable SerDes PHY IP

(2) Develop 22nm Gigabit Ethernet, USB 3.x/2.0 and USB-PD physical layer IP

(3) Develop Samsung's 14nm FinFET process memory physical layer and high-speed image transmission interface IPs

(4) Develop 14nm FinFET ASIC platform solutions and expand application fields such as high-end ASICs

(II) Industry overview

In recent years, Taiwan’s wafer industry has been developing intensively. The division of the industry has become more specialized. Each production process are involved by many individual manufacturers. The vertical division of labor is clear and profession making Taiwan’s wafer industry structure more complete.

Job distribution of each stream in Taiwan’s IC industry

Structure	Steps	Manufacturing process
Upstream	Design services and design	Logic design, circuit design, graphic design
Midstream	Production of light masks and wafers	Oxidation, light mask standardisation, etching, impurity diffusion, ion implantation, chemical vapor deposition, metal sputtering, wafer inspection
Downstream	Packaging and testing	Cutting, placement, wire bonding, molding, testing

(III) Technology, research and development overview

1. Research and development expenses

Unit: NTD thousand

	2020	First quarter of 2021
Research and development expenses (A)	1,853,828	514,106
Operating revenue (B)	5,495,307	1,534,975
(A)/(B)	33.73%	33.49%

2. Successfully developed technologies or products

(1) Supply UMC 28nm embedded high voltage (eHV) process memory compiler, which has been adopted by OLED display driver chip manufacturers

(2) Provide UMC's 22nm ultra-low power (ULP) and ultra-low leakage (ULL) process, complete basic components, memory compiler, and I/O database solutions

(3) Launch 28Gbps programmable SerDes PHY IP on UMC’s 28HPC process platform

(4) Launch Gigabit Ethernet physical layer IP on UMC 40LP process platform
(5) Launch a 40nm IoT SoC development platform, which can be used for chip development in applications such as smart homes, wearable devices, and smart grids

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

Short-term: Increase SIP authorization and develop high-efficiency ASIC projects, expand foreign market and foreign market share through local distributor layouts.

Long-term: Continue to accumulate the Company's own silicon intellectual property development capabilities, advance the component database to the 22nm and FinFET process, and upgrade the system-level IP subsystem as an important foundation to enhance the technical strength, integration of software and hardware, and development of SoC system platform, providing customers with more specific value, and the chance to quickly grab the market.

2. Overview of the market and production and sales status

(I) Market analysis

1. Sales and provision regions of main products and services

Faraday's customer base covers manufacturers in various regions. The Company is the first ASIC vendor in Asia, which provides ASIC services and silicon intellectual property license services. The largest market for Faraday is mainly in the Asia-Pacific region, which accounts for 75% of the total revenue, while the United States and Japan account for 13% of the total revenue. In the future, Faraday will continue to provide customers with higher-value products and services to create more benefits for both parties.

2. Main competitors and market share

Faraday is one of the few enterprises in the industry that is capable of ASIC/SoC design services, and has a comprehensive self-developed IP portfolio. The Company's competitors, with similar scale in ASIC design services in Taiwan, are Global Unichip Corp. and Alchip Technologies, Limited.

3. Situation of market supply and demand, and growth in the future

(1) ASIC

ASIC market has become highly customized due to the difference in demand in AI, data center, and IoT development. Therefore, the intensively complex design need to be integrated more closely with IP, memory (ROM, SRAM, Flash, or DRAM), and SoC design that requires one or more processors, which is the trend in the current ASIC market. Such trends are also in line with Faraday's development and knowledge of niche. Faraday has always mastered in SIP, including the most basic component databases, memory compiler, core CPU in SoC design and advanced high-speed transmission interface technology, such as 8G/10G/12.5G/16G/28G Serdes, USB 3.1/3.2, and PCIe G3/G4 IP development. Meanwhile, the Company introduces developing environment and tools from EDA companies, and cooperate with the system design integration services, which Faraday is best at, thereby constructing a complete virtual development services for electronic system levels (SoReal!™ Virtual Platform Service) to effectively shorten the pre-development time and greatly reduce development risks and cost.

(2) Silicon intellectual property components

According to reports of the market survey organization, Dataquest, the average annual compound growth rate of IP in recent years has maintained to be above double-digits levels, which is higher than the growth rate of the global semiconductor market, reflecting upon the importance of SIP in the design and development of ICs.

4. Competitive niche

(1) High self-made component rate

The implementation of technology is the core concept that the Company has always adhered to in order to provide customers immediate and proper design services, and to continue developing new components.

(2) Complete component design and verification process

In the ASIC design services industry, providing a quick and accurate design and verification process is one of the prerequisites. The component database developed by Faraday has undergone a complete silicon verification process. The Company only provides verified components database in order to provide customers quick and accurate design services and help the customers to launch products in the shortest time.

(3) Development of niche component products

The Company continues to develop standard component databases based on 28nm, 22nm, 14nm and a more advanced process. Furthermore, the Company has also devoted to develop advanced components, such as reduced instruction set central processing units, digital signal processors, mixed signal products, embedded memory, and systematic single chips.

(4) Complete component database development experience

The Company is the third largest developer of complete process component databases in the world. With the evolution of the process, the Company continues to develop standard component databases, and has accumulated a lot of high-performance IP and excellent R&D talents through the development experience.

(5) Complete design resources

In addition to providing customers with standard component databases of various wire diameter and gate array databases, the Company also offers core components and the various software application such as memory compilers, data paths, MegaCells, Analog Cells, so as to provide a complete design environment for the design of systematic single chips.

(6) Provide the resolution for system-level design

As the diversification of the electronic products, the lead time of each product has been shortened. Therefore, to stay competitive, it is crucial to shorten the time-to-market. The intellectual property database, IP subsystem, and SoC development platform provided by Faraday are the best resources for achieving system-level chip design. The Company assist the customers to complete the chip design in the shortest time, and effectively improve the first-cut-work rate, while ensuring the integration with the system side to help the customers introduce the products to the market with the best timing.

(7) Complete research and development team

Faraday has set the developments of its own technology as the core value of the Company. The Company has been the home to many experienced ASIC designer and development talents for many years, including those developing mixed signal/analog IP, integrating SoC design and back-end design, verifying wafer production, etc. The ability of the Company's R&D team is thereby comparable to advanced international manufacturers and is capable of providing perfect design resources and services for global IC design house and system manufacturers.

(8) Neutral position

Faraday's main businesses are ASIC design services and SIP authorization; therefore, the Company does not produce its own IC products. It assists customers with the standard establishment, development, manufacturing, packaging, testing, and providing the finalized IC products to clients on an absolutely neutral industrial position. At the same time, we are able to fully protect business-related secrets of our clients, allowing our customers to make use of the provided design service resources with confidence.

5. Advantages, disadvantages and counter measures of the Company's future development

(1) Advantages

① ASIC profession has gradually gained recognition from the market and its potential customers (IDM, system manufacturers)

In the past, IDM manufacturers or large-scale system factories designed integrated circuits based on their own resources and talents. However, with the trend of company structure simplification, asset thinning and specialization, as well as how the ASIC professional ability is gradually gaining recognition from the market, these vendors begin to focus more on their own niche or product development. The design and manufacture of some major IC components have been outsourced to ASIC design services companies for quick development and achievement of the market niche.

② Complete R&D team and experienced ASIC design and development

Since the Company established, Faraday has long considered the research and development of its own technology as its main goal of operation. Throughout the years, the Company has accumulated outstanding R&D talents in various fields of ASIC, thereby holding rich and professional development experience. Therefore, based on the technology-leading R&D team, the Company has a high component self-manufacturing rate and a complete component verification process to provide customers with complete and high-quality design services.

③ System level IC design and service

In order to reduce risks, accelerate design integration and enable fast introduction to markets, system-level chip design and service capabilities are undoubtedly the mainstream of the current market, and the core component database plays a pivotal role in reducing design complexity and improving timeliness. The rich SIP databases, IP sub-systems and SoC development platforms provided by Faraday are the best resources for quickly implementing system-level chip design, thereby helping customers to complete chip design in the shortest time, and effectively improve the first-cut-work rate, ensuring that its system can be quickly integrated to help customers seize the best time for launching the products.

④ Upstream and downstream industries of the semiconductor industry are closely related to one another, bringing clustering effect that enable speedy provision of services

The semiconductor upstream and downstream industries are roughly divided into IC design industry, wafer foundries, cutting and packaging factories and test factories. However, due to the development of a unique vertical division of the industry in Taiwan, with companies mainly established at Hsinchu Science Park, Faraday has a well-established and systematic supply chain management strategy, close and in-depth cooperation with upstream and downstream companies, which help the Company to provide rapid and quality service.

(2) Disadvantages and counter measures

① Rise of professional labor costs

Since the resources of ASIC design services come from a strong R&D team, high-tech talent is crucial for the Company to operate successfully. In recent years, due to the booming development of the IC industry, and the cost of employee dividends, the professional labor cost has increased, and the Company has to pay a high labor cost for the cohesiveness of professional talents. The counter measures are as follows:

A. Improve proportion of high value-added products, such as the core components required for systematic single-chip, technical capabilities and experience at system level.

B. Develop a database based on more advanced processes, enhance core technology competitiveness and advantages, and strive for cooperation opportunities with more customers.

② With ASIC design services becoming the trend of the market, more competitors enter the market

As IC design becomes more and more complex, especially when it comes to the design of system-on-a-chip and embedded memory, ASIC design services and IP licensing are becoming an indispensable business. Coupled with changes in industry supply and demand, the potential customer’s demand for customized design from IDM/system vendors will undoubtedly attract more competitors to the market. The Company's countermeasures are to develop higher-level design techniques and strengthen system-level services, providing customers with fast and accurate services. Meanwhile, the Company will strive to develop niche applications, to adjust product/customer composition, to increase added value, and to develop international markets.

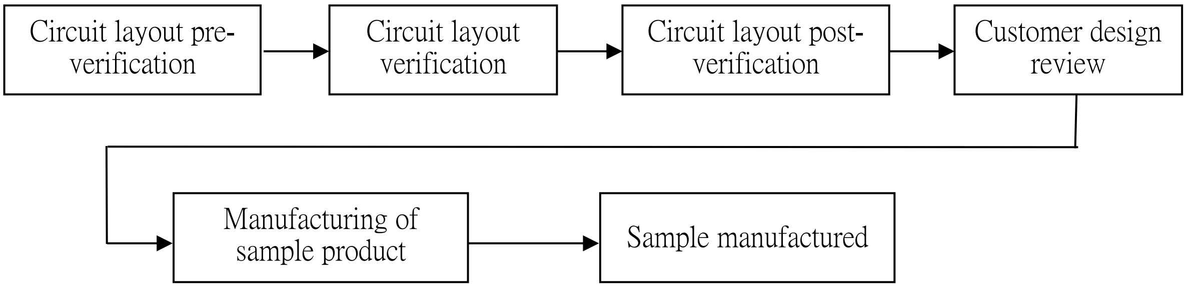
(II) Important use of main products and production process

1. Important use of main products

Faraday Technology mainly provides the required technical services during the design and production of ASIC products. ASIC products can be used for variety purposes, such as: applications for web communications, multimedia, computer storage and peripherals, consumer electronics, AIoT, etc.

2. Production process of main products

The first phase is non-recurring engineering (NRE) based on client commissions, and production of sample products for shipments. The production process of which is as follows:



The second phase is to enter mass production of products verified by the customer. The production process of which is as follows:

(III) Supply of main raw materials

The main raw materials of the Company are wafers. The main supplier is United Microelectronics Corporation, a professional wafer foundry. Due to the long-term strategic alliance cooperation, the supply of raw materials is stable.

(IV) Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

1. Major Suppliers with over 10% total purchases of the last two fiscal years

Unit: NT$ thousands

	2019				2020				2021Q1			
Items	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	United Microelectronics Corporation	1,049,653	50.73	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	1,223,562	56.93	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	452,937	57.70	Major shareholder holding more than 10% of shares
2	Supplier A	563,659	27.24	Other Related Party	Supplier A	600,597	27.94	Other Related Party	Supplier A	54,094	6.89	Other Related Party
	Others	455,593	22.03		Others	325,223	15.13		Others	277,988	35.41	
	Net Purchase	2,068,905	100.00		Net Purchase	2,149,382	100.00		Net Purchase	785,019	100.00	

Note: The major supplier is foundry. The raw materials purchased from foundry are wafers. The Company maintains good cooperative relations with the third-party manufacturers, and there is no shortage or interruption for the material supply.

2. Major Customers with over 10% net sales of the last two fiscal years

Unit: NT$ thousands

	2019				2020				2021Q1			
Items	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	Customer A	602,888	11.36	None	Customer A	697,757	12.70	None	Customer A	674	0.04	None
2	United Microelectronics Corporation	589,636	11.11	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	584,602	10.64	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	140,284	9.14	Major shareholder holding more than 10% of shares
	Others	4,113,827	77.53		Others	4,215,948	76.66		Others	1,394,017	90.82	
	Net Sales	5,306,351	100.00		Net Sales	5,495,307	100.00		Net Sales	1,534,975	100.00	

Note: Changes in sales amount and proportions are mainly due to changes in customer demand for products.

(V) Production Quantities and Value over the Past Two Year

Unit: NT$ thousands

Year / Production QTY and Value / Major Products	2019		2020	
	Quantity	Value	Quantity	Value
ASIC Products (thousands chip)	49,431	1,330,254	70,215	1,702,163
Wafer Products (wafer)	26,069	551,013	32,869	674,520
NRE	87	781,853	99	235,172
Total		2,663,120		2,611,855

(VI) Sales Quantities and Value over the Past Two Year

Unit: NT$ thousands

Year / Sales QTY and Amount / Main Products	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
ASIC Products (thousands chip)	19,885	514,991	32,083	1,820,465	18,228	430,306	54,953	2,174,704
Wafer Products (wafer)	1,474	33,173	24,284	686,415	2,997	111,958	33,578	874,755
NRE	26	206,758	106	1,161,999	27	56,750	115	1,008,210
Intellectual Property Components and License Fee	62	674,917	29	207,633	71	662,613	29	176,011
Total		1,429,839		3,876,512		1,261,627		4,233,680

3. Employee Profile

Year		2019	2020	As of 03/31/2021
Number of Employees	Engineer/Administrative	805	796	785
	Management	77	76	76
	Total	882	872	861
Average age		37	38	38
Average years of service		6.3	6.5	6.6
Education (%)	Ph. D.	2%	2%	2%
	Masters	63%	60%	56%
	Bachelor’s Degree	34%	38%	42%
	Senior High School	0%	0%	0%
	Below Senior High School	0%	0%	0%

4. Environmental Protection Expenditure Information

The Company is a professional technical service industry, and no major pollutants are produced during the production process. In order to fulfill the corporate social responsibilities, to maintain the ecological environment, to respond to the requirements of RoHS/WEEE of EU and the green products of major manufacturers, to catch the international trend, and to successfully sell products to the international market, the Company has developed the green environmental protection policies and procedures.

5. Labor Relations

(I) The Company’s employee welfare measures, further education, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

As the world's leading high-tech R&D company, talents are not only the Company's assets, but also the foundation of the Company's sustainable development. Faraday Technology's emphasis on talents is fully reflected in the workplace environment and conditions provided by the company. The Company is committed to ensuring a safe and healthy working environment, respecting employees, assisting employees in work-life balance, and providing good salary and benefits. The Company has been continuously selected as a constituent stock of the "Taiwan High Salary 100 Index" by the Taiwan Stock Exchange. In addition to attracting and retaining talents with high-level salaries and benefits, it also pays special attention to the physical and mental health and personal growth of colleagues to expect substantial development for employees in the Company. In addition, harmonious labor-management relations also help the Company's long-term stable development. The various internal communication mechanisms of Faraday Technology allow colleagues to fully express their opinions, while relevant authority and responsibility units would quickly respond to their opinions, constructing a good and unimpeded communication culture, and a lively and enlightened working atmosphere.

- Talent Development and Training

  The Company has always spared no effort to cultivate talents and provide comprehensive assistance in both work and life. At the same time, based on individual professionals, there are long-term cultivation plans for on-the-job training and future career development in education and training. For instance:

  i. Newcomer Training: The Company makes customized training plans for individuals according to job requirements and professional experience, through general education courses, e-course, OJT training, quality document reading, and instructor system to help newcomers quickly adapt to the organizational culture and internal processes. In addition, the Company assigned seniors to guide each newcomer and help them familiarize the environment and work content. The mentor and supervisor are required to arrange the newcomer for training and meetings with supervisors of all levels and the human resources department within three months of registration in accordance with the Newcomer Guide. The learning and adapting status of the newcomer should be recorded. In addition, each newcomer receives a customized "Newcomer Manual" on registration. The supervisor sets up professional training plan in accordance with the newcomers’ duties and conducts the training within the first 6 months of registration. Relevant courses include: company introduction, work safety training, work process, and cross-departmental professional training

ii. Professional Training: Every year, the Company plans a variety of inter-departmental professional training, and often holds technical exchange meetings, in which employees can learn content various professional and technical contents. Each department also has its own database and regular department meetings. Employees can share and exchange work experience and professional knowledge with their supervisors and colleagues.

iii. Language Training: The Company has set up a "Technical Document Center" to provide guidance on writing English technical documents, papers, and patents. Through language training and technical English document writing, employees gradually improve their language skills.

iv. Supervisor Training: The Company arranges a series of management skills training for supervisors based on each person’s duty. It also guides new supervisors to families the Company’s management rules and regulations, cultivates abilities and qualities necessary for supervisor, coaches on conducting professional interviews, effective selection, education and retention, leadership, communication and motivation, handling employee errors and conflicts. The Company helps the supervisors to improve and develop management skills and leadership through professional training courses, senior supervisor coaching, reading clubs, etc.

v. General Training: In addition to professional, language, and supervisor training, the Company also conducts trainings for internal operating system, project system, management rules and regulations, technical document production, and fire fighting training, etc.

vi. Domestic and Foreign Training: The Company provides multiple training channels and encourages employees to participate in domestic and foreign training. Employees can participate in trainings and seminars at home and abroad based on their own expertise and job contents to enhance the technical level of individuals and the company.

vii. Future Career Development: The Company is committed to the cultivation and inheritance of talents, in line with the talent growth and performance development system, formulates individual career development plans. The mentorship / coaching learning system (Mentor Program) support the consolidation of the Company’s competitiveness. The department head makes suitable talent development plans for individuals based on their functional core expertise, work performance and learning potential, in accordance with the company’s and department’s future development and direction. and through a complete and diverse training mechanism and work instruction. The employees are expected to fully exhibit their abilities and kept learning through the multiple trainings and resources the Company provides.

- Diversified Welfare and Subsidies

  The Company provides diversified welfare and subsidies, with detailed welfare planning and budgeting every year, such as domestic and foreign travel subsidies, birthday coupons, birth/wedding subsidies, funeral/celebration subsidies, coupon purchase, regular health checkup that is better than which required by laws and regulations, and perfect employee insurance. The insurance includes life insurance, accident insurance, medical insurance, cancer insurance and other family group insurance systems. The Welfare Committee also organizes diversified activities on a regular basis to help employees relax, maintain both physical and mental health, and relieve potential work pressure.

- Considerate Services and Facilities

  The Company is one of the most beautiful companies in the park, which provides a warm and cozy working environment for employees to focus on and enjoy their work. We believe that a productive enterprise cannot run without healthy and happy employees. In addition to provide a safe and hygienic working environment for all colleagues, the Company also provides a LOHAS working environment, from the perspective of employees, upholds the spirit of fusion of welfare, vitality and public welfare, and allows colleagues to work and relax through diversified activity designs to accumulate creativity and energy. The company offers multi-functional fitness center and sport field, stress relief lounge, art gallery, cozy cafe, roof garden, and free parking spaces for cars and scooters. We also runs diverse clubs, and holds outdoor concerts, executive service day, family day, Lohas lectures, etc., enriching the concept of work-life balance through various activities.

- Retirement System

  Faraday Technology has formulated the "Labor Retirement Measures of Faraday Technology Co., Ltd." in accordance with the "Labor Standards Law" and the "Labor Pension Regulations". For employees who choose the new system of labor pension, the Company pays 6% of the employee's monthly wages to the individual’s labor pension account in accordance with the Labor Pension Regulations. If the employee meets the conditions of the "Old Labor Pension System" or the “New Labor Pension System with Old System of Seniority Retained", the company pays 2% of the employee's monthly wages to the Special Account of Labor Retirement Reserve Supervision Committee of Faraday Technology Co., Ltd at Bank of Taiwan. For employee who meets the retirement qualifications under the Labor Standards Law, the pension payment is based on the length of employment and the average monthly salary at the time of retirement, and two basis will be given for each employed year. However, for person who is employed for more than 15 years, a basis is given for each employed year, with a maximum of forty-five basis limitation.

(II) The Company's losses due to employer/employee disputes within the most recent year through the printing date of this annual report: None.

(III) Estimated amount and corresponding measures for the loss of labor disputes at present and in the future

The Company always values the employees' welfare, provides superior working environment, and emphasizes the communication with employees, so that the relationship between labor and management is harmonious. Therefore, the company has no major labor disputes within the most recent year through the printing date of this annual report.

6. Important Contracts

Contract Property	Affiliated Person	Start/Expiration date of Contract	Content	Restrictions
Technical Authorization	Company A	01.17.2020-01.16.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company B	01.30.2020-01.31.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company C	02.04.2020-02.03.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company D	03.12.2020-03.11.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company E	05.15.2020-05.14.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company F	05.27.2020-05.26.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company G	07.07.2020-07.06.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company H	09.25.2020-09.24.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company I	10.18.2020-10.17.2025	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company J	11.05.2020-11.04.2025	License Agreement	Both parties should fulfill confidentiality duty

VI. Financial Status

1. Condensed Balance Sheet and Consolidated Income Statement for the Last Five Years, the Names of the CPAs and Their Audit Opinions

(I) Condensed Balance Sheet and Comprehensive Income Statement(IFRSs)

1. Condensed Balance Sheet—Consolidate

Unit: NT$ thousands

Items \ Year		2016	2017	2018	2019	2020	03/31/2021 Financial Data
Current assets		3,804,351	4,475,142	4,393,723	5,022,750	4,702,256	5,366,050
Property, plant and equipment		550,772	533,571	575,858	576,808	539,322	529,957
Intangible assets		535,681	434,816	691,470	550,567	259,256	286,955
Other assets		1,396,843	1,492,572	1,153,668	1,551,903	2,698,322	2,846,196
Total assets		6,287,647	6,936,101	6,814,719	7,702,028	8,199,156	9,029,158
Current liabilities	Before distribution	1,264,456	1,355,366	1,766,178	2,079,109	1,614,085	2,049,820
	After distribution	1,510,006	2,026,452	1,965,018	2,352,514	(Note)	—
Non-current liabilities		159,179	50,545	237,180	360,179	244,077	276,818
Total liabilities	Before distribution	1,423,635	1,405,911	2,003,358	2,439,288	1,858,162	2,326,638
	After distribution	1,669,185	2,076,997	2,202,198	2,712,693	(Note)	—
Equity attributable to shareholders of the parent company		4,864,012	5,530,190	4,796,379	5,203,716	6,293,937	6,601,639
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		640,227	598,879	626,596	724,895	724,574	725,060
Retained earnings	Before distribution	1,846,516	2,446,668	2,196,490	2,363,027	2,371,011	2,540,728
	After distribution	1,600,966	1,775,582	1,997,650	2,089,622	(Note)	—
Other equity		32,215	(860)	(512,210)	(369,709)	712,849	850,348
Treasury stock		(140,449)	—	—	—	—	—
Non-controlling interest		—	—	14,982	59,024	47,057	100,881
Total equity	Before distribution	4,864,012	5,530,190	4,811,361	5,262,740	6,340,994	6,702,520
	After distribution	4,618,462	4,859,104	4,612,521	4,989,335	(Note)	—

Note: 2020 Earnings distribution has not been approved by the annual shareholder meeting.

Data Source: The above financial information for the year 2016 to 2020 was reviewed by CPAs; the first quarter of 2021 was reviewed by CPAs.

2. Condensed Comprehensive Income Statement—Consolidated

Unit: NT$ thousands

Items \ Year	2016	2016 (Reclassified) (Note)	2017	2018	2019	2020	03/31/2021 Financial Data
Operating revenue	6,422,145	5,260,067	5,342,609	4,904,658	5,306,351	5,495,307	1,534,975
Gross profit	2,817,129	2,556,202	2,648,187	2,604,877	2,799,542	2,599,626	748,734
Operating profit/loss	350,891	371,892	314,694	283,008	398,300	149,112	138,759
Non-operating income and expenses	(23,913)	(24,971)	16,096	33,001	18,555	164,123	69,576
Income before tax	326,978	346,921	330,790	316,009	416,855	313,235	208,335
Net income from continuing operations	280,756	300,587	260,419	261,151	336,245	255,997	178,993
Profit/Loss from discontinued operations	—	(19,381)	575,494	—	—	—	—
Net income	280,756	280,756	835,913	261,151	336,245	255,997	178,993
Other current comprehensive income	(16,605)	(16,605)	(22,965)	(164,958)	159,498	1,095,393	137,800
Total current comprehensive income	264,151	264,151	812,948	96,193	495,743	1,351,390	316,793
Net income attributable to stockholders of the parent	281,145	281,145	835,913	263,228	347,877	268,446	169,717
Net income attributable to non-controlling interests	(389)	(389)	—	(2,077)	(11,632)	(12,449)	9,276
Total comprehensive income attributable to stockholders of the parent	264,540	264,540	812,948	98,270	507,878	1,363,947	307,216
Total comprehensive income attributable to non-controlling interests	(389)	(389)	—	(2,077)	(12,135)	(12,557)	9,577
Earnings per share	1.14	1.14	3.40	1.06	1.40	1.08	0.68

Note：The reclassification in 2016 was due to disposing the relevant assets of security control products as non-operating unit.

Data Source: The above financial information for the year 2016 to 2020 was reviewed by CPAs; the first quarter of 2021 was reviewed by CPAs.

3. Condensed Balance Sheet—Parent Company Only

Unit: NT$ thousands

Items \ Year		2016	2017	2018	2019	2020
Current assets		2,778,984	3,326,345	2,830,492	3,219,878	3,010,644
Property, plant and equipment		534,627	514,025	556,836	561,903	521,190
Intangible assets		534,551	420,850	682,681	518,209	233,937
Other assets		2,306,938	2,576,456	2,427,987	2,946,760	3,968,630
Total assets		6,155,100	6,837,676	6,497,996	7,246,750	7,734,401
Current liabilities	Before distribution	1,140,478	1,258,200	1,471,934	1,719,831	1,215,528
	After distribution	1,386,028	1,929,286	1,670,774	1,993,236	(Note)
Non-current liabilities		150,610	49,286	229,683	323,203	224,936
Total liabilities	Before distribution	1,291,088	1,307,486	1,701,617	2,043,034	1,440,464
	After distribution	1,536,638	1,978,572	1,900,457	2,316,439	(Note)
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		640,227	598,879	626,596	724,895	724,574
Retained earnings	Before distribution	1,846,516	2,446,668	2,196,490	2,363,027	2,371,011
	After distribution	1,600,966	1,775,582	1,997,650	2,089,622	(Note)
Other equity		32,215	(860)	(512,210)	(369,709)	712,849
Treasury stock		(140,449)	—	—	—	—
Total equity	Before distribution	4,864,012	5,530,190	4,796,379	5,203,716	6,293,937
	After distribution	4,618,462	4,859,104	4,597,539	4,930,311	(Note)

Note：2020 Earnings distribution has not been approved by the annual shareholder meeting.
Data Source: The above financial information was audited by CPA.

4. Condensed Comprehensive Income Statement— Parent Company Only

Unit: NT$ thousands

Items \ Year	2016	2016 (Reclassified) (Note)	2017	2018	2019	2020
Operating revenue	6,045,503	4,914,659	4,996,865	4,323,744	4,646,362	4,925,300
Gross profit	2,481,243	2,251,550	2,330,177	2,042,756	2,235,255	2,110,720
Operating profit	331,691	314,479	318,335	100,531	347,816	204,637
Non-operating income and expenses	(38,310)	(38,310)	(33,745)	178,664	42,464	91,816
Income before tax	293,381	276,169	284,590	279,195	390,280	296,453
Net income from continuing operations	281,145	263,933	251,563	263,228	347,877	268,446
Profit/Loss from discontinued operations	—	17,212	584,350	—	—	—
Net income (loss)	281,145	281,145	835,913	263,228	347,877	268,446
Other comprehensive income (loss)	(16,605)	(16,605)	(22,965)	(164,958)	160,001	1,095,501
Total comprehensive income (loss)	264,540	264,540	812,948	98,270	507,878	1,363,947
Earnings per share	1.14	1.14	3.40	1.06	1.40	1.08

Note: The reclassification in 2016 was due to disposing the relevant assets of security control products as non-operating unit.

Data Source: The above financial information was audited by CPAs.

(II) Auditors' Name and Opinions from 2016 to 2020:

1. Auditors' Name and Opinions from 2016 to 2020

Year	CPA	Audit Opinion
2016	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2017	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2019	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2019	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2020	Wan-Ju Chiu, Kuo, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph

2. Instructions for replacing CPAs in the most recent five years

In order to comply with the reorganization of the internal organization of Ernst & Young, Wan-Ju Chiu and CPA Hsin-Min Hsu will take over to audit financial statements from the first quarter of 2020.

2. Financial Analysis of the Last Five Years:

(I) Financial Analysis – Based on IFRS

1. Financial Ratio Analysis - Consolidated

Analyze Items	Year	2016	2016 (Reclassified) (Note 1)	2017	2018	2019	2020	As of 03/31/2021
Financial structure (%)	Liability to asset ratio	22.64	22.64	20.27	29.40	31.67	22.66	25.77
	Long-term Fund to Property, Plant and Equipment Ratio	912.03	912.03	1,045.92	876.70	974.83	1,220.99	1,316.96
Solvency (%)	Current ratio	300.87	300.87	330.18	248.77	241.58	291.33	261.78
	Quick ratio	240.78	240.78	291.17	210.46	203.80	249.93	221.98
	Times Interest Earned (Times)	—	—	—	—	56.21	48.55	142.53
Operating performance analysis	Accounts receivable turnover (times)	7.01	5.74	6.19	6.19	6.10	7.1	9.88
	Average collection period	52.07	63.59	58.96	58.96	59.83	51.40	36.94
	Inventory turnover (times)	5.09	3.82	5.06	4.46	4.07	5.10	5.55
	Accounts payable turnover (times)	8.06	6.04	5.38	3.40	2.65	3.36	3.72
	Average days in sales	71.70	95.55	72.13	81.83	89.68	71.56	65.77
	Property, plant and equipment turnover (times)	11.35	9.29	9.85	8.84	9.21	9.85	11.48
	Total assets turnover (times)	0.97	0.80	0.81	0.71	0.73	0.69	0.71
Profitability analysis	Return on assets (%)	4.24	4.54	3.94	3.80	4.72	3.29	2.09
	Return on equity (%)	5.64	6.03	5.01	5.05	6.68	4.41	2.74
	Pre-tax income to paid-in capital (%)	13.16	13.96	13.31	12.71	16.77	12.60	8.38
	Net profit ratio (%)	4.37	5.71	4.87	5.32	6.34	4.66	11.66
	Earnings per share (NT$)	1.14	1.14	3.40	1.06	1.40	1.08	0.68
Cash flow	Cash flow ratio (%)	15.89	15.89	93.50	17.09	41.06	43.41	33.43
	Cash flow adequacy ratio (%)	82.23	82.23	83.89	54.78	65.40	73.54	98.90
	Cash reinvestment ratio (%)	(6.05)	(6.05)	19.00	(8.06)	12.96	6.73	10.15
Leverage	Operating leverage	6.94	3.43	7.91	7.39	6.22	14.66	5.92
	Financial leverage	1.00	1.00	1.00	1.00	1.02	1.05	1.01

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

1. The decrease in the liabilities to assets ratio is due to the increase in the fair value evaluation of financial assets, which increases the total assets and the repayment of accounts payable reduces the liabilities.
2. The increase in the ratio of long-term fund to property, plant and equipment is due to the increase in other equity.
3. The increases in current ratio and quick ratio are due to the decrease in current liabilities.
4. The increase in inventory turnover is due to the increase in the cost of goods sold.
5. The increase in the accounts payable turnover is due to the increase in the cost of goods sold and the decrease in the average accounts payable.
6. The decrease in average days in sales was due to the increase in inventory turnover rate.
7. The decreases in return on assets, return on equity, pre-tax income to paid-in capital, net profit ratio and earnings per share are due to the decrease in net profit after tax.
8. The decrease in cash reinvestment ratio is mainly due to the decrease in net cash inflow from operating activities during the current period.
9. The increase in operating leverage is due to the increase in revenue and expenses, which reduced the operating profit.

2. Financial Ratio Analysis - Parent Company Only

Analyze Items \ Year		2016	2016 (Reclassified) (Note 1)	2017	2018	2019	2020
Financial structure (%)	Liability to asset ratio	20.98	20.98	19.12	26.19	28.19	18.62
	Long-term fund to property, plant and equipment ratio	937.97	937.97	1085.45	902.61	983.61	1,250.77
Solvency (%)	Current ratio	243.67	243.67	264.37	192.30	187.22	247.68
	Quick ratio	183.89	183.89	225.32	148.55	143.07	199.25
	Times interest earned (Times)	—	—	—	—	82.67	65.66
Operating performance analysis	Accounts receivable turnover (times)	6.46	5.25	6.24	7.69	7.36	6.81
	Average collection period	56.50	69.50	58.49	47.46	49.59	53.59
	Inventory turnover (times)	5.04	3.76	5.01	4.46	4.00	5.24
	Accounts payable turnover (times)	8.14	6.08	5.44	3.41	2.63	3.17
	Average days in sales	72.42	97.07	72.85	81.83	91.25	69.65
	Property, plant and equipment turnover (times)	10.97	8.92	9.53	8.08	8.31	9.09
	Total assets turnover (times)	0.93	0.76	0.77	0.65	0.68	0.66
Profitability analysis	Return on assets (%)	4.33	4.06	3.87	3.95	5.12	3.63
	Return on equity (%)	5.65	5.30	4.84	5.10	6.96	4.67
	Pre-tax income to paid-in capital (%)	11.80	11.11	11.45	11.23	15.70	11.93
	Net profit ratio (%)	4.65	5.37	5.03	6.09	7.49	5.45
	Earnings per share (NT$)	1.14	1.14	3.40	1.06	1.40	1.08
Cash flow	Cash flow ratio (%)	10.41	10.41	112.31	18.86	27.47	23.39
	Cash flow adequacy ratio (%)	86.27	86.27	91.95	58.56	60.27	57.87
	Cash reinvestment ratio (%)	(7.85)	(7.85)	21.74	(8.66)	5.46	0.17
Leverage	Operating leverage	6.12	2.86	6.71	15.45	5.79	8.67
	Financial leverage	1.00	1.00	1.00	1.00	1.01	1.02

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

1. The decrease in the liabilities to assets ratio is due to the increase in the fair value evaluation of financial assets, which increases the total assets and the repayment of accounts payable reduces the liabilities.
2. The increase in the ratio of long-term fund to property, plant and equipment ratio is due to the increase in other equity.
3. The increases in current ratio and quick ratio are due to the decrease in current liabilities.
4. The decrease in times interest earned is due to the decrease in net profit after tax.
5. The increase in inventory turnover is due to the increase in the cost of goods sold.
6. The increase in the accounts payable turnover is due to the increase in the cost of goods sold and the decrease in the average accounts payable.
7. The decrease in average days in sales is due to the increase in inventory turnover
8. The decreases in return on assets, return on equity, pre-tax income to paid-in capital, net profit ratio, and earnings per share are due to the decrease in net profit after tax.
9. The decreases in cash flow ratio and cash reinvestment ratio are mainly due to the decrease in net cash inflow from operating activities during the current period.
10. The increase in operating leverage is due to the increase in revenue and expenses, which resulted in a decrease in operating profit.

Note 1: The reclassification in 2016 was due to disposing the relevant assets of security control products as non-operating unit in 2017.

Note 2: The 2021Q1 financial statements have been reviewed by CPAs up to the date of the report publication.

Note 3: The calculation formulas are as follows:

1. Financial structure
   (1) Liability to asset ratio = Total liability / Total asset
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Total equity + Non-current liability) / Net property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets – Inventory - Pre-paid expense) / Current liabilities.
   (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance analysis
   (1) Accounts receivable turnover (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including bills payable resulting from accounts payable and business operations) = Cost of goods sold / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant and equipment turnover = Net sales / Net average value of PP&E
   (7) Total assets turnover = Net sales / Average total assets
4. Profitability analysis
   (1) Return on assets (ROA) = (Net income + Interest expenses * (1 - Effective tax rate)) / Average total assets
   (2) Return on equity (ROE) = Net income / Average shareholders' equity
   (3) Net profit before tax accounted for paid-in capital ratio = Net profit before tax / Paid-in capital
   (4) Net profit ratio = Profit or loss after tax / Net sales.
   (5) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
   (2) Cash flow adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3)Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net sales - Variable cost) / Income from operations
   (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

3. Audit Committee’s Review Report for the Most Recent Year

Audit Committee’s Review Report

The Board of Directors has prepared and submitted to us the Company’s 2020 Business Report, Consolidated and Individual Financial Statements, and proposal for earnings distribution. Financial Statements were audited by Ernst & Young and they issued an audited report accordingly. We, as the Audit Committee of the Company, have reviewed the Business Report, Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted to:
The Company’s 2021 Annual Shareholders’ Meeting

Chairperson of the Audit Committee: Ning-Hai Jin

February 23, 2021

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

FARADAY TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS THEN ENDED
DECEMBER 31, 2020 AND 2019

Address: No. 5 Li-Hsin Road III, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.
Telephone: 886-3-578-7888

Notice to Readers

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2020 and for the year then ended prepared under the International Financial Reporting Standards No.10 “Consolidated and Separate Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

FARADAY TECHNOLOGY CORPORATION

Chairman: Stan Hung

February 23, 2021

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 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, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Group amounted to NT$5,495,307 thousand for the year ended December 31, 2020, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT$3,597,175 thousand, NT$1,438,969 thousand and NT$459,163 thousand, constituting 65.46%, 26.18% and 8.36% of consolidated net sales, respectively. Revenue is the main operating activity of the Group. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Group’s customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (17) and Note 6 (13).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT$636,588 thousand and NT$580,370 thousand, constituting 7.76% and 7.54% of total consolidated assets as of December 31, 2020 and 2019, respectively, and total operating revenues of NT$956,439 thousand and NT$1,134,139 thousand, constituting 17.40% and 21.37% of consolidated operating revenues for the years ended December 31, 2020 and 2019, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT$81,183 thousand, representing 1.05% of consolidated total assets as of December 31, 2019. The related shares of profits from the associates and joint ventures under the equity method amounted to NT$(3,646) thousand, (0.87)% of the consolidated net income before tax for the year ended December 31, 2019, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT$(661) thousand, representing, and (0.41)% of the consolidated other comprehensive income, for the year ended December 31, 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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2020 and 2019.

/s/Chiu, Wan-Ju

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan
February 23, 2021

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of December 31, 2020	As of December 31, 2019
Current assets			
Cash and cash equivalents	4, 6(1)	$ 3,048,331	$ 2,776,055
Financial assets at fair value through profit or loss, current	4, 6(2)	23,497	22,016
Contract assets, current	4, 6(13), 6(14)	137,475	517,367
Notes receivable, net	6(14)	1,360	4,440
Accounts receivable, net	4, 6(4), 6(14)	559,524	682,192
Accounts receivable from related parties, net	4, 6(4), 6(14), 7	130,254	170,925
Other receivables, net		113,986	52,019
Inventories, net	4, 6(5)	500,634	634,554
Other current assets	7	181,234	163,182
Costs to fulfil a contract, current	4, 6(13)	5,961	-
Total current assets		4,702,256	5,022,750
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4, 6(3)	2,245,962	1,135,270
Financial assets measured at amortized cost, noncurrent	8	16,433	31,766
Investments accounted for using equity method	4, 6(6)	-	81,183
Property, plant and equipment	4, 6(7)	539,322	576,808
Right-of-use assets	4, 6(15)	234,275	254,498
Intangible assets	4, 6(8), 7	259,256	550,567
Deferred tax assets	4, 5, 6(19)	48,775	41,764
Refundable deposits		11,430	7,422
Other non-current assets		141,447	-
Total non-current assets		3,496,900	2,679,278
Total assets		$ 8,199,156	$ 7,702,028

Liabilities and Equity	Note	As of December 31, 2020	As of December 31, 2019
Current liabilities			
Current financial liabilities at fair value through profit or loss	6(2)	$ 1,504	$ -
Contract liabilities, current	4, 6(13), 7	476,604	303,024
Notes payable		3	4
Accounts payable		481,775	822,488
Accounts payable - related parties	7	162,940	258,432
Payables on equipment		-	3,565
Other payables	6(10)	392,146	567,625
Current tax liabilities	4, 5, 6(19)	50,343	75,555
Lease liabilities-current	4, 6(15), 12	32,575	33,898
Other current liabilities		16,195	14,518
Total current liabilities		1,614,085	2,079,109
Non-current liabilities			
Deferred tax liabilities	4, 5, 6(19)	6,810	5,460
Lease liabilities-noncurrent	4, 6(15), 12	209,836	231,443
Long-term payables	6(10)	16,321	96,901
Long-term deferred revenue		2,715	4,756
Defined benefit liabilities, non-current	4, 5, 6(11)	8,395	21,619
Total non-current liabilities		244,077	360,179
Total liabilities		1,858,162	2,439,288
Equity attributable to the parent company			
Capital	6(12)		
Common stock		2,485,503	2,485,503
Additional paid-in capital	6(12)	724,574	724,895
Retained earnings	6(12)		
Legal reserve		1,510,216	1,473,678
Special reserve		369,710	512,210
Unappropriated earnings		491,085	377,139
Other components of equity		712,849	(369,709)
Equity attributable to the parent company	6(12)	6,293,937	5,203,716
Non-controlling interests	6(12)	47,057	59,024
Total equity		6,340,994	5,262,740
Total liabilities and equity		$ 8,199,156	$ 7,702,028

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31, 2020	2019
Net sales	4, 6(13), 7	$ 5,495,307	$ 5,306,351
Operating costs	6(5), 6(16), 7	(2,895,681)	(2,506,809)
Gross profit		2,599,626	2,799,542
Operating expenses	6(8), 6(16), 7		
Selling expenses		(288,482)	(246,265)
Administrative expenses		(278,475)	(299,418)
Research and development expenses		(1,853,828)	(1,903,489)
Expected credit (loss) gains	6(14)	(29,729)	47,930
Total operating expenses		(2,450,514)	(2,401,242)
Operating income		149,112	398,300
Non-operating income and expenses			
Interest income	6(17)	10,818	14,323
Other income	6(17)	33,506	59,878
Other gains and losses	6(3), 6(17)	149,977	(44,450)
Finance costs	6(17)	(6,587)	(7,550)
Share of profit or loss of associates and joint ventures accounted for using equity method	6(6)	(23,591)	(3,646)
Total non-operating income and expenses		164,123	18,555
Income from continuing operations before income tax		313,235	416,855
Income tax expense	4, 5, 6(19)	(57,238)	(80,610)
Net income from continuing operations		255,997	336,245
Other comprehensive income	4, 5, 6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		16,178	(4,146)
Unrealized gain from equity investment measured at fair value through other comprehensive income		1,110,692	195,900
Income tax relating to items that will not be reclassified to profit or loss		(3,235)	829
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(28,242)	(32,424)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method		-	(661)
Other comprehensive income (net of income tax)		1,095,393	159,498
Total comprehensive income		$ 1,351,390	$ 495,743
Net income attributable to:			
Stockholders of the parent	6(20)	$ 268,446	$ 347,877
Non-controlling interests	6(12)	(12,449)	(11,632)
		$ 255,997	$ 336,245
Comprehensive income (loss) attributable to:			
Stockholders of the parent		$ 1,363,947	$ 507,878
Non-controlling interests		(12,557)	(12,135)
		$ 1,351,390	$ 495,743
Earnings per share (NTD)	6(20)		
Earnings per share-basic		$ 1.08	$ 1.40
Earnings per share-diluted		$ 1.08	$ 1.40

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company									
			Retained Earnings							
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ 4,796,379	$ 14,982	$ 4,811,361
Appropriation and distribution of 2018 retained earnings										
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	(198,840)	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	347,877	(11,632)	336,245
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	160,001	(503)	159,498
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	507,878	(12,135)	495,743
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	98,299	56,177	154,476
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-	-
Balance as of December 31, 2019	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ 5,203,716	$ 59,024	$ 5,262,740
Balance as of January 1, 2020	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ 5,203,716	$ 59,024	$ 5,262,740
Appropriation and distribution of 2019 retained earnings										
Legal reserve	-	-	36,538	-	(36,538)	-	-	-	-	-
Cash dividends	-	-	-	-	(273,405)	-	-	(273,405)	-	(273,405)
Special reserved	-	-	-	(142,500)	142,500	-	-	-	-	-
Net income in 2020	-	-	-	-	268,446	-	-	268,446	(12,449)	255,997
Other comprehensive income (loss) in 2020	-	-	-	-	12,943	(28,134)	1,110,692	1,095,501	(108)	1,095,393
Total comprehensive income (loss) in 2020	-	-	-	-	281,389	(28,134)	1,110,692	1,363,947	(12,557)	1,351,390
Disposal of investments accounted for using equity method	-	(1,531)	-	-	-	-	-	(1,531)	-	(1,531)
Change in subsidiaries' ownership	-	1,210	-	-	-	-	-	1,210	590	1,800
Balance as of December 31, 2020	$ 2,485,503	$ 724,574	$ 1,510,216	$ 369,710	$ 491,085	$ (113,671)	$ 826,520	$ 6,293,937	$ 47,057	$ 6,340,994

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31, 2020	2019
Cash flows from operating activities:		
Net income before tax	$ 313,235	$ 416,855
Adjustments for non-cash gain or loss:		
Depreciation	101,499	95,102
Amortization	332,344	342,926
Expected credit loss (gain)	29,729	(47,930)
Loss on financial assets and liabilities at fair value through profit or loss	23	32,774
Interest expense	6,587	7,550
Interest income	(10,818)	(14,323)
Share-based payment expenses	1,800	4,012
Share of loss of associates and joint ventures accounted for using equity method	23,591	3,646
Loss on disposal of property, plant and equipment	564	-
Gain on disposal of investments	(172,487)	-
Others	(3,097)	1,791
Changes in operating assets and liabilities:		
Contract assets	379,892	(150,109)
Notes receivable	3,080	(2,882)
Accounts receivable	92,939	132,582
Accounts receivable from related parties	40,671	(56,231)
Other receivables	(36,658)	(5,746)
Inventories	133,920	(38,537)
Prepayments	(162,379)	(84,666)
Other current assets	9,431	12,987
Cost of fulfilling a contract	(5,961)	-
Contract liabilities	173,580	2,616
Notes payables	(1)	-
Accounts payable	(340,713)	127,328
Accounts payable - related parties	(95,492)	144,335
Other payables	(24,185)	1,963
Other current liabilities	(364)	(14,973)
Defined benefit liabilities	(281)	2,402
Other Operating liabilities	-	(2,275)
Cash generated from operations	790,449	911,197
Interest received	11,499	13,690
Interest paid	(6,587)	(7,550)
Income tax paid	(94,662)	(63,729)
Net cash provided by operating activities	$ 700,699	$ 853,608

Description	For the years ended December 31, 2020	2019
Cash flows from investing activities:		
Disposal of financial asset measured at fair value through other comprehensive income	$ -	$ 28,552
Disposal of property, plant and equipment	60	-
Acquisition of financial assets measured at amortized cost	-	(14,994)
Principal from maturity of financial assets measured at amortized cost	15,333	-
Disposal of investments accounted for using equity method	209,489	-
Acquisition of property, plant and equipment	(33,106)	(61,849)
Refundable deposits	(4,008)	(547)
Acquisition of intangible assets	(277,554)	(303,363)
Net cash used in investing activities	(89,786)	(352,201)
Cash flows form financing activities:		
Cash payments for the principal portion of the lease liability	(34,812)	(28,661)
Cash dividends paid	(273,405)	(198,840)
Change in non-controlling interests (increase in subsidiary's capital by cash)	-	150,464
Net cash used in financing activities	(308,217)	(77,037)
Effect of exchange rate changes on cash and cash equivalents	(30,420)	(35,849)
Net increase in cash and cash equivalents	272,276	388,521
Cash and cash equivalents at beginning of period	2,776,055	2,387,534
Cash and cash equivalents at end of period	$ 3,048,331	$ 2,776,055

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

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company's shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the "Group") for the years ended December 31, 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 23, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after January 1, 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6(15) for disclosure related to the lessee which is required by the amendment.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Company voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%) As of	
Investor	Subsidiary	Main businesses	December 31, 2020	December 31, 2019
The Company	Faraday Technology Corporation (USA)	Sales representative in America	100.00%	100.00%
The Company	Faraday Technology Japan Corporation	Sales representative in Japan	99.95%	99.95%
The Company	Faraday Technology－B.V.I. (B.V.I.)	Trading and general investing	100.00%	100.00%
The Company	Faraday Technology Vietnam Company Limited (Note 1)	IC designing service	100.00%	100.00%
The Company	Chih-Hung Investment Corporation (Chih-Hung)	General investing	100.00%	100.00%
The Company	Sheng Bang Investment Corporation (Sheng Bang)	General investing	100.00%	100.00%
Chih-Hung	Grain Media Inc.	IC designing, marketing and customer service	19.42%	19.42%
Chih-Hung	Innopower Technology Corporation (Innopower)	Silicon Intellectual Property designing	100.00%	100.00%
Chih-Hung	FaradayTek Solutions India Private Limited (Note 2)	IC designing service	1.00%	1.00%
Sheng Bang	Grain Media Inc.	IC designing, marketing and customer service	80.58%	80.58%
Sheng Bang	FaradayTek Solutions India Private Limited (Note 3)	IC designing service	99.00%	99.00%
Innopower	Bright Capital Group Limited (BCGL)	General investing	100.00%	100.00%
BCGL	Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation －Mauritius (Mauritius)	General investing	100.00%	100.00%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

			Percentage of ownership (%)	
			As of	
Investor	Subsidiary	Main businesses	December 31, 2020	December 31, 2019
B.V.I.	GrainTech Electronics Limited	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation (Samoa)	General investing	100.00%	100.00%
B.V.I.	Artery Technology Corporation(Cayman) (Note 4)	General investing	67.20%	67.20%
Samoa	United Business Service Corporation	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Faraday Technology China Corporation	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Grain Media Technology (Shenzhen) Co., Ltd.(Note 5)	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Company(Note 6)	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	United Creative Solution Corporation (Note 7)	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	Innopower Technology Corporation (Chongqing) (Note 7)	IC designing, marketing and customer service	100.00%	100.00%

Notes:

(1) The Company invested in the establishment of Faraday Technology Vietnam Company Limited during the year ended December 31, 2019.

(2) Chih-Hung Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited during the year ended December 31, 2019.

(3) Sheng Bang Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited during the year ended December 31, 2019.

(4) Artery Technology Corporation (Cayman) had capital increases by cash during the year ended December 31, 2019. The Group did not participate the capital increases and, accordingly, ownership percentage was reduced to 67.20%.

(5) Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation during the year ended December 31, 2018. The liquidation procedures is still in progress as of the report date.

(6) Artery Technology Corporation (Cayman) invested in Artery Technology Company during the year ended December 31, 2019 and acquired 100% ownership.

(7) United Business Service Corporation invested in the establishment of United Creative Solution Corporation and Innopower Technology Corporation (Chonging) during the year ended December 31, 2019.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading

(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and 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 (including time deposits with original maturities of six months or less).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(1) the Group’s business model for managing the financial assets and
(2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

    (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired

ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or

ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:
Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for using equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures.* If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *"Impairment of Assets"*. In determining the value in use of the investment, the Group estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36"*Impairment of Assets*".

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, plant and equipment"*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions .

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Computer software
Useful lives	2～10years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *“Impairment of Assets”* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Group outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Group is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Group's sale of goods is from 30 to 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Group has the obligation to transfer the goods subsequently. Accordingly, the Group recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Group provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Group are collected throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Group measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Group's intellectual property as it exist throughout the license period, the Group uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Group's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Group recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services to access or use the Group's intellectual property subsequently. Accordingly, the Group recognizes payments received in advance as contract liabilities.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

B. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and expected rate of salary increases. Please refer to Note 6 (11) for more details.

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile within the Group.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 (19) for disclosure on unrecognized deferred tax assets of the Group as of December 31, 2020.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2020	December 31, 2019
Cash		
Cash on hand	$431	$420
Checking and savings	1,636,071	1,368,841
Time deposits	1,341,829	1,346,794
Cash equivalents-Commercial paper with repurchase	70,000	60,000
Total	$ 3,048,331	$2,776,055

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

	As of	
	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$-	$204
Funds	23,497	21,812
Total	$23,497	$22,016
Current	$23,497	$22,016
Non-Current	-	-
Total	$23,497	$22,016

	As of	
	December 31, 2020	December 31, 2019
Financial liabilities mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$1,504	$-
Current	$1,504	$-

Financial assets at fair value through profit or loss were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of	
	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	$2,245,962	$1,135,270

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

In consideration of the Group's investment strategy, the Group disposed the listed stock of Andes Technology Corporation during the year ended December 31, 2019, which were reported under equity instrument investments measured at fair value through other comprehensive income. Upon derecognition, the fair value of the investments was NT$28,552 thousand, and the cumulative disposal gain of NT$20,817 thousand was reclassified from other components of equity to retained earnings.

(4) Accounts receivable, net and accounts receivable from related parties, net

	As of	
	December 31, 2020	December 31, 2019
Accounts receivable	$666,989	$763,625
Subtotal (gross carrying amount)	666,989	763,625
Less：Allowance for doubtful accounts	(107,465)	(81,433)
Subtotal	559,524	682,192
Accounts receivable from related parties, net	130,254	170,925
Subtotal (gross carrying amount)	130,254	170,925
Total	$689,778	$853,117

Accounts receivable were not pledged.

Accounts receivable are generally on 30- 60 day terms from the date of monthly closing. The Group's carrying amount of accounts receivable was amounted to NT$797,243 thousand, and NT$934,550 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6(14) for more details on impairment of account receivable, and Note 12 for more details on credit risk.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventories

	As of	
	December 31, 2020	December 31, 2019
Work in process	$351,411	$163,460
Finished goods	149,223	471,094
Total	$500,634	$634,554

The cost of inventories recognized in expenses amounted to NT$2,895,681 thousand and NT$2,506,809 thousand for the years ended December 31, 2020 and 2019, respectively, including the inventory valuation loss of NT$6,863 thousand and loss on scrap of inventories of NT$20,337 thousand, and inventory valuation loss of NT$8,952 thousand and loss on scrap of inventories of NT$7,564 thousand for the years ended December 31, 2020 and 2019, respectively.

No inventories were pledged.

(6) Investments accounted for using equity method

	As of			
	December 31, 2020		December 31, 2019	
Investee company	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Associate：				
Fresco Logic Inc.	$-	-%	$81,183	22.61%

The Group’s disposed shares of Fresco Logic Inc., with proceeds amounting to NT$235,479 thousand (recorded as other receivables NT$25,990 thousand) and recognized a gain on disposal of investment in the amount of NT$172,487 thousand during the six-month period ended June 30, 2020.

The Group’s investment in Fresco Logic Inc. was not individually material. The aggregate carrying amount of the Group’s interest in Fresco Logic Inc. is NT$81,183 thousand as of December 31, 2019. The aggregated financial information based on Group’s share of Fresco Logic Inc. is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net loss from continuing operations	$(23,591)	$(3,646)
Other comprehensive income (post-tax)	-	(115)
Total comprehensive income	$(23,591)	$(3,761)

There were no contingent liabilities or capital commitments for the above-mentioned associate, and the investment was not pledged as of December 31, 2020 and 2019.

(7) Property, plant and equipment

	As of December 31, 2020	As of December 31, 2019
Property, plant and equipment for own use	$539,322	$576,808

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2020	$33,576	$577,055	$40,858	$177,244	$24,179	$1,615	$854,527
Additions	-	8,033	5,375	15,037	1,096	-	29,541
Disposals	-	(4,087)	(5,557)	(26,900)	(2,943)	-	(39,487)
Exchange effect	-	(192)	-	(570)	(199)	(60)	(1,021)
As of December 31, 2020	$33,576	$580,809	$40,676	$164,811	$22,133	$1,555	$843,560
Cost:							
As of January 1, 2019	$33,576	$603,753	$41,243	$143,208	$25,134	$857	$847,771
Additions	-	595	3,768	57,350	1,314	780	63,807
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(382)	-	(319)	(649)	(22)	(1,372)
As of December 31, 2019	$33,576	$577,055	$40,858	$177,244	$24,179	$1,615	$854,527

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Depreciation and impairment:							
As of January 1, 2020	$-	$170,775	$14,187	$74,093	$17,957	$707	$277,719
Additions	-	14,567	6,632	42,033	2,631	261	66,124
Disposals	-	(3,846)	(5,557)	(26,900)	(2,560)	-	(38,863)
Exchange effect	-	(23)	-	(516)	(154)	(49)	(742)
As of December 31, 2020	$-	$181,473	$15,262	$88,710	$17,874	$919	$304,238
Depreciation and impairment:							
As of January 1, 2019	$-	$183,215	$11,401	$59,341	$17,353	$603	$271,913
Additions	-	14,622	6,939	38,009	2,695	120	62,385
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(151)	-	(262)	(471)	(16)	(900)
As of December 31, 2019	$-	$170,775	$14,187	$74,093	$17,957	$707	$277,719
Net carrying amount as of:							
As of December 31, 2020	$33,576	$399,336	$25,414	$76,101	$4,259	$636	$539,322
As of December 31, 2019	$33,576	$406,280	$26,671	$103,151	$6,222	$908	$576,808

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Intangible assets

	Software	
	For the year ended December 31, 2020	For the year ended December 31, 2019
Cost		
Beginning balance	$1,143,349	$1,065,829
Addition－acquired separately	45,680	198,247
Decrease－derecognition	(216,755)	(122,511)
Exchange differences	(8,078)	1,784
Ending balance	$964,196	$1,143,349
Accumulated Amortization		
Beginning balance	$592,782	$374,359
Amortization	332,344	342,926
Decrease－derecognition	(216,755)	(122,511)
Exchange differences	(3,431)	(1,992)
Ending balance	$704,940	$592,782
Net carrying amount as of:		
December 31, 2020	$259,256	
December 31, 2019	$550,567	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
Administrative expenses	$86	$95
Research and development expenses	332,258	342,831
Total	$332,344	$342,926

(9) Short-term loans

The Group’s credit limit from short-term loans was NT$1,302,250 thousand and NT$1,350,750 thousand as of December 31, 2020 and 2019, respectively, and all of which was unused.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Long-term payables

The payables were primarily attributable to several agreements which the Group entered into for certain software license. As of December 31, 2020 and 2019, payments for future years are as follows：

	As of	
Year of payment	December 31, 2020	December 31, 2019
2020	$-	$111,886
2021	93,154	70,687
2022	15,810	26,214
2023	511	-
Subtotal	109,475	208,787
Less: Current portion (recognized as other payables)	(93,154)	(111,886)
Total	$16,321	$96,901

(11) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China would contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$50,922 thousand and NT$48,525 thousand, respectively.

Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$3,672 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The average duration of the defined benefits plan obligation as of December 31, 2020 and 2019, are 13 years and 14 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended December 31,	
	2020	2019
Current period service costs	$6,540	$5,654
Net interest expense	145	58
Total	$6,685	$5,712

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Defined benefit obligation	$138,912	$143,847	$128,922
Plan assets at fair value	(130,517)	(122,228)	(113,022)
Non-current liabilities -Defined benefit liabilities recognized on the consolidated balance sheets	$8,395	$21,619	$15,900

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2019	$128,922	$ (113,022)	$15,900
Current period service costs	5,654	-	5,654
Net interest expense (income)	1,300	(1,242)	58
Subtotal	135,876	(114,264)	21,612
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	6,335	-	6,335
Experience adjustments	1,636	-	1,636
Remeasurements of defined benefit asset	-	(3,825)	(3,825)
Subtotal	7,971	(3,825)	4,146
Contributions by employer	-	(4,139)	(4,139)
As of December 31, 2019	$143,847	$ (122,228)	$21,619

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2020	$143,847	$ (122,228)	$21,619
Current period service costs	6,540	-	6,540
Net interest expense (income)	1,069	(924)	145
Subtotal	151,456	(123,152)	28,304
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	9,886	-	9,886
Experience adjustments	(22,430)	-	(22,430)
Remeasurements of defined benefit asset	-	(3,634)	(3,634)
Subtotal	(12,544)	(3,634)	(16,178)
Contributions by employer	-	(3,731)	(3,731)
As of December 31, 2020	$138,912	$(130,517)	$8,395

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2020	December 31, 2019
Discount rate	0.3833%	0.7234%
Expected rate of salary increases	3.00%	2.75%

A sensitivity analysis for significant assumption as of December 31, 2020 and 2019 is as shown below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$4,218	$-	$4,970
Discount rate decrease by 0.25%	4,389	-	5,198	-
Expected rate of salary increase by 0.5%	8,565	-	10,244	-
Expected rate of salary decrease by 0.5%	-	8,006	-	9,475

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Capital stock

The Company's authorized capital was NT$6,000,000 thousand and NT$5,000,000 thousand, respectively, divided into 600,000 thousand shares and 500,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options), respectively, as of December 31, 2020 and 2019, each at a par value of NT$10.

The Company's issued capital was NT$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2020 and 2019. Each share has one voting right and a right to receive dividends.

B. Additional paid-in capital

	As of	
	December 31, 2020	December 31, 2019
Premiums in excess of par	$594,782	$594,782
Change in subsidiaries' ownership	127,226	126,016
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	1,531
Employee stock option and others	2,566	2,566
Total	$724,574	$724,895

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Reserve for tax payments;
b. Offset accumulated losses in previous years, if any;
c. Legal reserve, which is 10% of leftover profits.
d. Allocation or reverse of special reserves as required by law or government authorities;
e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012, which set out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year", provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Order did not have impact on the Company.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Details of the 2019 and 2018 earnings distribution and dividends per share as approved by the shareholders' meeting on May 28, 2020 and June 13, 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$36,538	$26,323	$-	$-
(Reversal of) Increase in special reserve	(142,500)	511,350	-	-
Common stock-cash dividend	273,405	49,710	1.1	0.2

Legal reserve distribution by cash dividends per share NT$0.6 along with common stock-cash dividend per share NT$0.2 were resolved by the shareholders' meeting on June 13, 2019, resulting total dividend per share of NT$0.8.

Please refer to Note 6(16) for more details on employees' compensations and the remunerations to directors and supervisors.

D. Non-controlling interests

	For the years ended December 31,	
	2020	2019
Beginning balance	$59,024	$14,982
Loss attributable to non-controlling interests	(12,449)	(11,632)
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	(108)	(503)
Change in subsidiaries' ownership	590	56,177
Ending balance	$47,057	$59,024

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(13) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2020 and 2019 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2020	2019
Sale of goods	$3,597,175	$3,055,045
Rendering of services	1,438,969	1,856,522
Silicon intellectual property license	459,163	394,784
Total	$5,495,307	$5,306,351

Revenue recognition point:		
At a point in time	$4,004,602	$3,390,800
Over time	1,490,705	1,915,551
Total	$5,495,307	$5,306,351

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Rendering of services	$137,475	$517,367	$367,258

The significant changes in the Group's balances of contract assets for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
The opening balance transferred to accounts receivable	$481,732	$177,320
Change in the progress of completion	120,882	336,568
Exchange rate changes	(19,042)	-
Impairment	-	(9,139)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Contract liabilities – current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Sales of goods	$296,266	$161,139	$109,141
Rendering of services	177,463	141,623	191,023
Silicon intellectual property license	2,875	262	244
Total	$476,604	$303,024	$300,408

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
The opening balance transferred to revenue	$274,726	$127,861
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	448,306	130,477

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2020, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license are NT$1,513,112 thousand. The Group will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

	For the years ended December 31,	
	2020	2019
Costs to fulfill a contract, current	$ 5,961	$-

The costs to fulfill a contract are the costs incurred by the Group for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2020, amortization expenses amounted to NT$9,283 thousand is recognized as operating costs.

(14) Expected credit losses (gains)

	For the years ended December 31,	
	2020	2019
Operating expenses – Expected credit losses (gains)		
Contract Asset	$-	$9,139
Account receivables	29,729	(57,069)
Total	$29,729	$(47,930)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of December 31, 2020 and 2019 are as follows:

i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	For the years ended December 31,	
	2020	2019
Gross carrying amount	$146,614	$526,506
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	(9,139)	(9,139)
Carrying amount	$137,475	$517,367

ii. the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2020.12.31

Group 1	Not yet due (note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$529,047	$78,439	$7,389	$-	$6,592	$92,137	$713,604
Expected credit loss rates	-%	-%	2%	10%	50%	100%	
Lifetime expected credit losses	-	-	147	-	3,296	92,137	95,580
Subtotal	$529,047	$78,439	$7,242	$-	$3,296	$-	$618,024

Group 2	Not yet due (note)	Overdue <=120 days	121-150 days	151-180 days	181-270 days	271-300 days	>=301 days	Total
Gross carrying amount	$24,256	$19,511	$-	$21,827	$19,405	$-	$-	$84,999
Expected credit loss rates	-%	-%	2%	10%	50%	80%	100%	
Lifetime expected credit losses	-	-	-	2,183	9,702	-	-	11,885
Subtotal	$24,256	$19,511	$-	$19,644	$9,703	$-	$-	$73,114
Carrying amount								$691,138

2019.12.31

	Not yet due (note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$670,597	$90,541	$60,573	$35,817	$6,894	$74,568	$938,990
Expected credit loss rates	-%	-%	0%~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	1,225	2,079	3,561	74,568	81,433
Subtotal	$670,597	$90,541	$59,348	$33,738	$3,333	$-	$857,557

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: All of the Group's note receivables are not yet due.

The movements in the provision for impairment of account receivables during the years ended December 31, 2020 and 2019 are as follows:

	Contract assets	Account receivables
As of January 1, 2020	$9,139	$81,433
Increase (reversal) for the current period	-	29,729
Write-off due to uncollectibility	-	(3,697)
As of December 31, 2020	$9,139	$107,465
As of January 1, 2019	$-	$138,502
Increase (reversal) for the current period	9,139	(57,069)
As of December 31, 2019	$9,139	$81,433

(15) leases

The Group as lessee

The Group leases various properties, including real estate (land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2020	December 31, 2019
Land	$191,527	$196,848
Buildings and facilities	42,044	55,669
Transportation equipment	583	1,749
Office equipment	121	232
Total	$234,275	$254,498

During the years ended December 31, 2020 and 2019, the additions to right-of-use assets of the Group amounted to NT$19,978 thousand and NT$884 thousand, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Due to certain lease contracts were terminated early, the Group's right-of-use asset decreased by NT$4,294 thousand, lease liability decreased by NT$4,050 thousand and loss of revision of lease contracts amounted to NT$244 thousand during the year ended December 31, 2020.

(b) Lease liability

	As of	
	December 31, 2020	December 31, 2019
Lease liability	$242,411	$265,341
Lease liability-current	$32,575	$33,898
Lease liability-noncurrent	209,836	231,443
Total	$242,411	$265,341

Please refer to Note 6 (17) for the interest on lease liability recognized during the years ended December 31, 2020 and 2019 and refer to Note 12 (5) for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2020	2019
Land	$5,320	$5,320
Buildings and facilities	28,778	26,120
Transportation equipment	1,166	1,166
Office equipment	111	111
Total	$35,375	$32,717

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2020	2019
The expense relating to short-term leases	$4,667	$1,644

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group recognized NT$2,334 thousand as reduction in rental expenses for the year ended December 31, 2020 to reflect changes in lease payments that arise from such rent concessions to which the Group has applied the practical expedient.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Cash outflow relating to leasing activities

During the years ended December 31, 2020 and December 31, 2019, the Group's total cash outflow for leases amounted to NT$45,942 thousand and NT$36,123 thousand, respectively.

E. Other information relating to leasing activities

Extension option

Some of the Group's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(16) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2020 and 2019:

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$42,436	$1,368,606	$1,411,042	$51,981	$1,397,734	$1,449,715
Labor and health insurance	3,249	95,972	99,221	4,525	107,851	112,376
Pension	2,372	55,235	57,607	2,335	51,902	54,237
Others	1,066	30,006	31,072	1,027	22,752	23,779
Depreciation	913	100,586	101,499	994	94,108	95,102
Amortization	-	332,344	332,344	3,174	339,752	342,926

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$39,970 thousand and NT$248 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$39,970 thousand and NT$248 thousand for the year ended December 31, 2020.

Actual employees' compensation and remuneration to directions for the year ended December 31, 2019 was NT$51,662 thousand and NT$216 thousand respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2019.

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	$10,818	$14,323

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Other income

	For the years ended December 31,	
	2020	2019
Others	$33,506	$59,878

C. Other gains and losses

	For the years ended December 31,	
	2020	2019
Losses on disposal of property, plant and equipment	$(564)	$-
Gains on disposal of investments	172,487	-
Foreign exchange (loss) gains	(9,118)	1,985
Losses on financial assets at fair value through profit or loss	(23)	(32,774)
Others	(12,805)	(13,661)
Total	$149,977	$(44,450)

D. Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense on lease liabilities	$6,587	$7,462
Others	-	88
Total	$6,587	$7,550

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$16,178	$-	$16,178	$(3,235)	$12,943
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	1,110,692	-	1,110,692	-	1,110,692
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	(28,242)	-	(28,242)	-	(28,242)
Total of other comprehensive income	$1,098,628	$-	$1,098,628	$(3,235)	$1,095,393

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(4,146)	$-	$(4,146)	$829	$(3,317)
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	195,900	-	195,900	-	195,900
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	(32,424)	-	(32,424)	-	(32,424)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(661)	-	(661)	-	(661)
Total of other comprehensive income	$158,669	$-	$158,669	$829	$159,498

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(19) Income tax

The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2020	2019
Current income tax expense:		
Current income tax payable	$71,367	$74,353
Adjustments in respect of current income tax of prior periods	(4,751)	(4,595)
Deferred tax expense (income):		
Deferred income tax income related to origination and reversal of temporary differences	(8,896)	9,479
Others	(482)	1,373
Total income tax expense	$57,238	$80,610

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2020	2019
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$3,235	$(829)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2020	2019
Accounting profit before tax from continuing operations	$313,235	$416,855
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	$77,681	$108,825
Tax effect of revenues exempted from taxation	-	(2,326)
Tax effect of deferred tax assets/liabilities	(32,898)	(16,195)
Surtax on undistributed retained earnings	6,315	-
Adjustments in respect of current income tax of prior periods	(4,751)	(4,595)
Tax effect of withholding tax under other tax jurisdiction	10,445	10,109
Tax credits	-	(14,053)
Others	446	(1,155)
Total income tax expense recognized in profit or loss	$57,238	$80,610

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2020
Temporary differences					
Unrealized exchange loss	$2,832	$3,050	$-	$-	$5,882
Unrealized exchange gain	(5,419)	(1,391)	-	-	(6,810)
Unrealized loss from sales	122	633	-	-	755
Unrealized allowance for inventory valuation and obsolescence losses	9,830	1,373	-	-	11,203
Revaluations of financial assets (liabilities) at fair value through profit or loss	(41)	342	-	-	301
Defined benefit liabilities, non-current	4,324	590	(3,235)	-	1,679
Unrealized bad debt expense	14,517	5,203	-	-	19,720
Depreciation difference for tax purposes	892	(848)	-	-	44
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	1,294	(56)	-	-	1,238
Deferred tax expense		$8,896	$(3,235)	$-	
Net deferred tax assets/(liabilities)	$36,304				$41,965
Reflected in balance sheet as follows:					
Deferred tax assets	$41,764				$48,775
Deferred tax liabilities	$(5,460)				$(6,810)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2019
Temporary differences					
Unrealized exchange loss	$683	$2,149	$-	$-	$2,832
Unrealized exchange gain	(2,324)	(3,095)	-	-	(5,419)
Unrealized loss from sales	100	22	-	-	122
Unrealized allowance for inventory valuation and obsolescence losses	9,093	737	-	-	9,830
Revaluations of financial assets (liabilities) at fair value through profit or loss	(66)	25	-	-	(41)
Defined benefit liabilities , non-current	3,180	315	829	-	4,324
Unrealized bad debt expense	25,705	(11,188)	-	-	14,517
Depreciation difference for tax purposes	625	267	-	-	892
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	5	1,289	-	-	1,294
Deferred tax expense		$(9,479)	$829	$-	
Net deferred tax assets/(liabilities)	$44,954				$36,304
Reflected in balance sheet as follows:					
Deferred tax assets	$47,344				$41,764
Deferred tax liabilities	$(2,390)				$(5,460)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following table contains information of the unused tax losses of the Group:

Year	Accumulated loss	Unutilized accumulated loss as of December 31, 2020	Unutilized accumulated loss as of December 31, 2019	Expiration Year
2009	$47,935	$-	$27,238	2019
2010	3,103	1,186	1,558	2020
2011	50,902	35,412	36,236	2021
2012	5,752	5,752	5,752	2022
2013	8,763	8,763	8,763	2023
2015	66,089	66,089	66,089	2025
2016	11,777	11,537	11,537	2026
2017	19,544	19,544	19,544	2027
2018	14,435	14,435	14,435	2028
2019	479	479	-	2029
		$163,197	$191,152	

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that were not recognized amounted to NT$159,273 thousand and NT$207,787 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$58,928 thousand and NT$53,702 thousand, respectively.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2018
Chih Hung Investment Co.	Assessed and approved up to 2018
Sheng Bang Investment Co.	Assessed and approved up to 2018
Grain Media Inc.	Assessed and approved up to 2018
Innopower Technology Corporation	Assessed and approved up to 2018
Artery Technology Company	Assessed and approved up to 2018

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2020	2019
(a) Basic earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT$)	$268,446	$347,877
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share (NT$)	$1.08	$1.40
(b) Diluted earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT$)	$268,446	$347,877
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	886	493
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	249,436	249,043
Diluted earnings per share (NT$)	$1.08	$1.40

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting years is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc.(Note)	Associates
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties

Note：The Group disposed of Fresco Logic Inc. in June 2020, which ceased to be a related party since that day.

(1) Sales

	For the years ended December 31	
	2020	2019
United Microelectronics Corporation	$584,602	$589,636
Associates	15,158	54,925
Other related parties	36,196	30,381
Total	$635,956	$674,942

The Group’s sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2020	2019
United Microelectronics Corporation	$1,223,562	$1,049,653
HeJian Technology (Suzhou) Co., Ltd.,	600,597	563,659
Other related parties	217,149	112,281
Total	$2,041,308	$1,725,593

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Research expense-other

	For the years ended December 31	
	2020	2019
Entity with joint control or significant influence over the Company	$14,359	$22,391

The payment terms from the related party suppliers are 45~60 days.

(4) Research and development expense-testing expense

	For the years ended December 31	
	2020	2019
Entity with joint control or significant influence over the Company	$2,484	$-

The payment terms from the related party suppliers are 45~60 days.

(5) Accounts receivable from related parties, net

	As of	
	December 31, 2020	December 31, 2019
United Microelectronics Corporation	$130,254	$158,865
Fresco Logic Inc.	-	12,060
Total	$130,254	$170,925

(6) Other current assets

	As of	
	December 31, 2020	December 31, 2019
Entity with joint control or significant influence over the Company	$263	$166
Other related parties	3,679	304
Total	$3,942	$470

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Intangible assets

	As of	
	December 31, 2020	December 31, 2019
Entity with joint control or significant influence over the Company	$-	$1,186

(8) Contractual liabilities, current

	As of	
	December 31, 2020	December 31, 2019
Entity with joint control or significant influence over the Company	$427	$-

(9) Accounts payable to related parties, net

	As of	
	December 31, 2020	December 31, 2019
United Microelectronics Corporation	$113,330	$86,381
United Semiconductor (Xiamen) Co., Ltd.	49,094	49,569
HeJian Technology (Suzhou) Co., Ltd.,	132	122,277
Other related parties	384	205
Total	$162,940	$258,432

(10) Key management personnel compensation

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$83,073	$93,507
Post-employment benefits	1,307	1,290
Total	$84,380	$94,797

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. Assets Pledged As Collateral

The Group's assets pledged as collateral were as follows:

Assets pledged for security	Carrying amount 2020.12.31	Carrying amount 2019.12.31	Secured liabilities
Financial assets measured at amortized cost	$15,028	$30,265	Custom clearance deposit
Financial assets measured at amortized cost	1,405	1,501	Office rental deposit
	$16,433	$31,766	

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of, December 31, 2020	As of, December 31, 2019
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$23,497	$22,016
Financial assets at fair value through other comprehensive income	2,245,962	1,135,270
Financial assets measured at amortized cost (Note 1)	3,880,887	3,724,399
Total	$6,150,346	$4,881,685

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities

	As of	
	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$1,504	$-
Financial liabilities at amortized cost:		
Payables (including related parties)	644,718	1,084,489
Other payables	392,146	567,625
Long-term payables	16,321	96,901
Lease liabilities	242,411	265,341
Total	$1,297,100	$2,014,356

Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk exposures.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2020 and 2019 would decrease/increase by NT$10,709 thousand and NT$15,254 thousand, respectively.

When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2020 and 2019 would decrease/increase by NT$118,690 thousand and NT$100,512 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Group's listed and unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's listed equity securities, unlisted equity securities and other investment are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2020 and 2019, accounts receivable from top ten customers represented 58% and 48% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

				Carrying amount	
				As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2020	December 31, 2019
Simplified method (Note)	Not applicable	Lifetime expected credit losses	0%~100%	$945,217	$1,465,496

Note: The Group adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract asset, notes receivables and account receivables.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Payables (including related parties)	$644,718	$-	$-	$-	$644,718
Other payables	392,146	-	-	-	392,146
Long-term payables	-	16,321	-	-	16,321
Lease liability	33,240	30,865	19,152	246,589	329,846
As of December 31, 2019					
Payables (including related parties)	$1,084,489	$-	$-	$-	$1,084,489
Other payables	567,625	-	-	-	567,625
Long-term payables	-	96,901	-	-	96,901
Lease liability	39,576	44,190	25,403	254,544	363,713

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Inflows	$21,494	$-	$-	$-	$21,494
Outflows	(22,998)	-	-	-	(22,998)
Net	$(1,504)	$-	$-	$-	$(1,504)
As of December 31, 2019					
Inflows	$108,183	$-	$-	$-	$108,183
Outflows	(107,979)	-	-	-	(107,979)
Net	$204	$-	$-	$-	$204

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2020:

	Lease Liabilities
As of January 1, 2020	$265,341
Cash flows	(34,812)
Cash paid	19,561
Foreign exchange movement	(1,295)
Rent concessions	(2,334)
Revision of lease contracts	(4,050)
As of December 31, 2020	$242,411

Reconciliation of liabilities for year ended December 31, 2019:

	Lease Liabilities
As of January 1, 2019	$294,614
Cash flows	(28,661)
Foreign exchange movement	(1,519)
Revision of lease contracts	907
As of December 31, 2019	$265,341

(7) Fair values of financial instruments

a. the methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivables, other receivables, payables and other payables approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.

iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.

iv. The long-term payables are determined by discounted cash flow analysis. The Group estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.

v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2020 and 2019 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
As of December 31, 2020		
Forward currency contract	Sell foreign currency USD 5,000 thousand	From 2020.12.07 to 2021.01.25
Forward currency contract	Sell foreign currency RMB 5,000 thousand	From 2020.12.23 to 2021.01.28
As of December 31, 2019		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2019.12.23 to 2020.01.09
Forward currency contract	Sell foreign currency RMB 25,000 thousand	From 2019.12.25 to 2020.01.17

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2020：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	$-	$-	$23,497	$23,497
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,245,962	2,245,962
Financial assets at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	$-	$1,504	$-	$1,504

As of December 31, 2019：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$204	$-	$204
Funds	-	-	21,812	21,812
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	1,135,270	1,135,270

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2020	$-	$21,812	$1,135,270	$1,157,082
Total gains and losses recognized for the year ended December 31, 2020:				
Amount recognized in profit or loss ("other profit or loss")	-	1,685	-	1,685
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	1,110,692	1,110,692
Ending balances as of December 31, 2020	$-	$23,497	$2,245,962	$2,269,459

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2019	$29,265	$25,195	$948,891	$1,003,351
Total gains and losses recognized for the year ended December 31, 2019:				
Amount recognized in profit or loss ("other profit or loss")	-	(3,383)	-	(3,383)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	186,379	186,379
Disposal	(29,265)	-	-	(29,265)
Ending balances as of December 31, 2019	$-	$21,812	$1,135,270	$1,157,082

Recognized as profit (loss) above, the gain (loss) from financial assets still held by the Group as of December 31, 2020 and 2019 was NT$1,685 thousand and NT$(32,648) thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$2,471 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	28%~36%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,112 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT$209,613 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$11,400 thousand

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$2,393 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	17%~25%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,586 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT$97,317 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	19%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$12,231 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

December 31, 2020

None.

December 31, 2019

None.

(10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below (amounts in thousands):

	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$32,409	28.09	$910,359
RMB	285,810	4.317	1,233,844
Financial liabilities			
Monetary items:			
USD	28,596	28.09	803,272
RMB	10,875	4.317	46,949

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$36,071	30.03	$1,083,220
RMB	242,683	4.321	1,048,635
Non-monetary items:			
USD	899	30.03	26,983
Financial liabilities			
Monetary items:			
USD	30,992	30.03	930,676
RMB	10,070	4.321	43,513

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies within the Group, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange (loss) gain was NT$(9,118) thousand and NT$1,985 thousand for the years ended December 31, 2020 and 2019, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Group for the year ended December 31, 2020:

(a) Financing provided to others for the year ended December 31, 2020: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2020: None.

(c) Securities held as of December 31, 2020: Please refer to Attachment 1.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2020: Please refer to Attachment 2.

(h) Receivables from related parties with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2020: Please refer to Attachment 3.

(i) Financial instruments and derivative transactions: Please refer to Note 12.

(j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Group: Please refer to Attachment 5.

(3) Information on investments in Mainland China

(a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.

(b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2020:

i. Purchases amount and percentage, and related ending balance and percentage of payables: None.

ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.

iii. Property transaction amount and occurred gain (loss): None.

iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.

v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.

vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

(4) Major shareholder information

Please refer to Attachment 7.

14. Segment information

(1) General Information

The products of the Company and its subsidiaries are all related to integrated circuit design products and the chief operating decision maker reviews the Group’s operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Geographical information

a. Revenue from external customers

	For the years ended December 31	
	2020	2019
China	$2,868,703	$2,215,654
Taiwan	1,261,627	1,429,839
Japan	491,853	792,039
United States	267,309	370,712
Others	605,815	498,107
Total	$5,495,307	$5,306,351

The revenue information above is based on the location of the customer.

b. Non-current assets

	For the years ended December 31	
	2020	2019
Taiwan	$755,325	$1,080,298
Others	43,253	47,077
Total	$798,578	$1,127,375

c. Major customers information

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Customer A	$697,757	$602,888
Customer B	584,602	589,636
	$1,282,359	$1,192,524

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2020) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	92,496,000	$1,925,599	12.12%	$1,925,599	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	87,143	5.00%	87,143	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Preferred stock Common Stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, noncurrent	14,600,000 1,714,285	$-	12.60%	$-	-
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, noncurrent	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	24,713	9.53%	24,713	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, noncurrent	1,200,000	11,124	9.95%	11,124	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, noncurrent	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, noncurrent	1,818	113,995	8.70%	113,995	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	57,422	15.00%	57,422	-

Sheng Bang Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, noncurrent	10,000	$23,497	-	$23,497	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	13,658	19.67%	13,658	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, noncurrent	-	12,307	8.50%	12,307	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2020)

Faraday Technology Corporation

		Transactions					Notes and accounts receivable (payable)		
Counter-party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	Note
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	$1,222,521	65.83%	Month-end 60 days	-	$113,330	17.58%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	583,729	10.62%	Month-end 60 days	-	129,703	18.77%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	600,515	32.34%	Month-end 60 days	-	383	0.06%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	117,022	6.30%	Month-end 60 days	-	18,027	2.80%	-

ATTACHMENT 3 (Related party transactions for receivables of NT$100 million or 20 percent of capital stock for the year ended December 31, 2020)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	$129,703	4.05	$-	$-	$42,664	$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.
Note 2: The capital stock is the parent's capital stock.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Transactions: Amount	Transactions: Term	Transactions: Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	$413,182	Note 4	7.52%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expense	77,197	According to the contract	1.40%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	127,124	Month-end 60 days	1.55%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	38,904	Month-end 60 days	0.47%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payables	77,197	Month-end 60 days	0.94%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	391,760	Note 4	7.13%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	33,249	Month-end 60 days	0.41%
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expense	22,389	According to the contract	0.41%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	164,608	Note 5	3.00%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	29,584	Month-end 60 days	0.36%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	849,163	Note 5	15.45%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	201,412	According to the contract	2.46%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	214	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	15,387	Month-end 60 days	0.19%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	54,347	Month-end 60 days	0.66%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payables	133	Month-end 60 days	-
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	1,901	Note 5	0.03%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

				Transactions			
No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Sales	$93,592	Note 5	1.70%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract Assets	41,862	According to the contract	0.51%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract liabilities	20	According to the contract	-
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	1,041	Month-end 60 days	0.01%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Research expense	290	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payables	290	Month-end 60 days	-
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Sales	141,770	Note 5	2.58%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Accounts receivable	72,612	Month-end 60 days	0.89%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other receivables	29,894	Month-end 60 days	0.36%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	13,011	Note 5	0.24%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	6,884	Month-end 60 days	0.08%
0	Faraday Technology Corporation	Artery Technology Company	1	Other receivables	1,468	Month-end 60 days	0.02%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expense	31,798	According to the contract	0.58%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Accounts payables	7,705	Month-end 60 days	0.09%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	71,262	Note 5	1.30%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Accounts receivable	$20,300	Month-end 60 days	0.25%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology Vietnam Company Limited	3	Research expense	4,414	According to the contract	0.08%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	305	Note 5	0.01%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	2,745	Note 5	0.05%
3	Artery Technology Company	Artery Technology Corporation, Ltd.	3	Sales	8,272	According to the contract	0.15%
3	Artery Technology Company	Artery Technology Corporation, Ltd.	3	Contract liabilities	752	Month-end 60 days	0.01%

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.
For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2020)

Faraday Technology Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation (USA)	USA	Sales representive in America	$436,907	$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	$412,413	$15,085	$14,206
Faraday Technology - B.V.I	British Virgin Islands	Trading and general investing	706,792	706,792	Common stock 22,140 thousand shares	100.00%	308,279	(57,865)	(57,184)
Faraday Technology Japan Corporation	Japan Tokyo	Sales representive in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	82,740	2,055	2,055
Chih-Hung Investment Corporation	Taiwan	General Investing	620,000 (Note 2)	910,000	Common stock 62,000 thousand shares	100.00%	552,815	134,052	135,920
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	192,188	4,940	4,007
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	12,229	5,119	5,119

Chih-Hung Investment Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$1,456	$1,456	Common stock 146 thousand shares	19.42%	$1,143	$(76)	$(15)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 14,942 thousand shares	100.00%	205,479	(13,390)	(13,390)
Fresco Logic Inc.	USA	IC designing	- (Note 3)	281,853	-	-	-	(98,634)	(23,591)
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	71	2,083	21

Sheng Bang Investment Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$6,044	$6,044	Common stock 604 thousand shares	80.58%	$4,740	$(76)	$(61)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	7,003	2,083	2,062

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2020)

Innopower Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Investment as of December 31, 2020: Percentage of ownership (%)	Investment as of December 31, 2020: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Bright Capital Group Limited	Samoa	General investing	$68,593	$68,593	Common stock 2,301 thousand shares	100.00%	$235,513	$2,236	$2,236

Faraday Technology - B.V.I

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Investment as of December 31, 2020: Percentage of ownership (%)	Investment as of December 31, 2020: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD $12,859,205	USD $12,859,205	Common stock 12,804 thousand shares	100.00%	$66,932	$(20,936)	$(20,936)
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,063	(541)	(541)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	137,998	(10,757)	(10,757)
Artery Technology Corporation-Cayman	Cayman	General investing	USD 4,460,000	USD 4,460,000	Common stock 4,300 thousand shares	67.20%	96,410	(37,953)	(25,505)

Artery Technology Corporation - Cayman

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Investment as of December 31, 2020: Percentage of ownership (%)	Investment as of December 31, 2020: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Artery Technology Company	Taiwan	IC designing, marketing and customer service	$25,897 (Note 4)	$25,897 (Note 4)	Common stock 2,594 thousand shares (Note 4)	67.20% (Note 5)	(2,599)	(20,107)	(13,512)

Note 1: USD are expressed in dollars.
Note 2: Chih-Hung Investment Corporation returned its capital of NT$290,000 thousand on June 29, 2020.
Note 3: Fresco Logic Inc. disposed of all preferred stock during the six-month period ended June 30, 2020.
Note 4: The Company invested in Artery Technology Company amounted to NT$60 thousand (common stock 10 thousand shares) through Faraday Technology-B.V.I.'s investee Artery Technology Corporation-Cayman. Non-controlling interest invested in Artery Technology Company amounted to NT$25,837 thousand (common stock 2,584 thousand shares) through Artery Technology Corporation-Cayman.
Note 5: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Company; therefore, the Group's share of profit or loss of Artery Technology Company is 67.20%.

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2020)

Unit:New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
Faraday Technology China Corporation	IC designing, marketing and customer service	$168,540 (USD 6,000,000)	Note 1 Note 3	$168,540 (USD 6,000,000)	$-	$-	$168,540 (USD 6,000,000)	$(20,809)	100.00%	$(20,809)	$64,412	$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	$162,922 (USD 5,800,000)	Note 4	$162,922 (USD 5,800,000)	$-	$-	$162,922 (USD 5,800,000)	$2,236	100.00%	$2,236	$235,513	$-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	$112,383 (USD 4,000,814)	Note 1 Note 5	$112,383 (USD 4,000,814)	$- $-	$-	$112,383 (USD 4,000,814)	-	100.00%	-	$448	$-
United Business Service Corporation	IC designing, marketing and customer service	$129,510 (RMB 30,000,000)	Note 1 Note 6	$129,510 (RMB 30,000,000)	$-	$-	$129,510 (RMB 30,000,000)	$(10,757)	100.00%	$(10,757)	$137,997	$-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	$271,349 (USD 9,660,000)	Note 1 Note 7 Note 10	$125,281 (USD 4,460,000)	$-	$-	$125,281 (USD 4,460,000)	$(14,819)	67.20%	$(9,959)	$98,426	$-
United Creative Solution Corporation	IC designing, marketing and customer service	$21,585 (RMB 5,000,000)	Note 8	$-	$-	$-	$-	$2,882	100.00%	$2,882	$24,040	$-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	$4,317 (RMB 1,000,000)	Note 9	$-	$-	$-	$-	$9	100.00%	$9	$4,317	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2020)

Accumulated investment in Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$701,572 (Note 2) (USD 24,975,881)	$789,661 (Note 2) (USD 28,111,835)	$3,776,362

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation-Cayman.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2020.

Note 3: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Brigtht Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 5,500 thousand , and the Company had remitted USD 4,460 thousand for the investment.

Note 8: United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

Note 9: United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

Note 10: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, Ltd. ; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 67.20%.

ATTACHMENT 7 (The information of main shareholders)

Number of ordinary shares / Name of major shareholders	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%

Explanation： If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or different.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, inclueds the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

5. The company’s individual financial report of the most recent year audited by CPAs

English Translation of a Report and Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS THEN ENDED
DECEMBER 31, 2020 AND 2019

Address: No. 5 Li-Hsin Road III, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.
Telephone: 886-3-578-7888

Notice to Readers

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors’ Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Faraday Technology Corporation (the “Company”) as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Company amounted to NT$4,925,300 thousand for the year ended December 31, 2020, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT$3,433,120 thousand, NT$1,068,993 thousand and NT$423,187 thousand, constituting 69.70%, 21.70% and 8.60% of net sales, respectively. Revenue is the main operating activity of the Company. The sales include application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Company's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (16) and Note 6 (13).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT$495,153 thousand and NT$521,789 thousand, representing 6.40% and 7.20% of total assets as of December 31, 2020 and 2019, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT$16,261 thousand and NT$39,281 thousand, represented 5.49% and 10.06% of the net income before tax for the years ended December 31, 2020 and 2019, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT$(29,589) thousand and NT$(12,216) thousand, representing (2.70)% and (7.63)% of the other comprehensive income, for the years ended December 31, 2020 and 2019, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of 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 ability to continue as a going concern of the Company, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company

Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 2020 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Chiu, Wan-Ju

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan
February 23, 2021

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2020 and December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of December 31, 2020	As of December 31, 2019	Liabilities and Equity	Note	As of December 31, 2020	As of December 31, 2019
Current assets				**Current liabilities**			
Cash and cash equivalents	4, 6(1)	$ 1,244,061	$ 1,216,369	Financial liabilities at fair value through profit or loss, current	4, 6(2)	$ 1,504	$ -
Financial assets at fair value through profit or loss, current	4, 6(2)	-	204	Contract liabilities, current	4, 6(13), 7	100,939	107,956
Contract assets, current	4, 6(13), 6(14), 7	315,431	421,034	Accounts payable		524,377	817,405
Notes receivable, net	6(14)	1,360	1,746	Accounts payable - related parties	7	217,535	214,514
Accounts receivable, net	4, 6(4), 6(14)	291,649	281,516	Payables on equipment	7	5,644	3,565
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	415,584	454,404	Other payables	6(10), 7	317,487	512,312
Other receivables, net	7	150,616	117,481	Current tax liabilities	4, 5, 6(19)	31,182	50,497
Inventories, net	4, 6(5)	457,603	617,595	Lease liabilities-current	4, 6(15), 12	5,432	6,572
Other current assets		132,365	109,529	Other current liabilities		11,428	7,010
Costs to fulfil a contract, current	6(13)	1,975	-	Total current liabilities		1,215,528	1,719,831
Total current assets		3,010,644	3,219,878				
				Non-current liabilities			
Non-current assets				Deferred tax liabilities	4, 5, 6(19)	6,133	5,173
Financial assets at fair value through other comprehensive income, noncurrent	4, 6(3)	2,012,742	895,710	Lease liabilities-noncurrent	4, 6(15), 12	194,087	199,510
Financial assets measured at amortized cost, noncurrent	8	15,028	30,265	Long-term payables	6(10)	16,321	96,901
Investments accounted for using the equity method	4, 6(6)	1,560,664	1,781,336	Defined benefit liabilities, non-current	4, 5, 6(11)	8,395	21,619
Property, plant and equipment	4, 6(7)	521,190	561,903	Total non-current liabilities		224,936	323,203
Right-of-use assets	4, 6(15)	195,650	203,420	Total liabilities		1,440,464	2,043,034
Intangible assets	4, 6(8)	233,937	518,209				
Deferred tax assets	4, 5, 6(19)	41,676	34,389	**Equity attributable to the parent company**			
Refundable deposits		1,423	1,640				
Other non-current assets		141,447	-	Capital	6(12)		
Total non-current assets		4,723,757	4,026,872	Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,574	724,895
				Retained earnings	6(12)		
				Legal reserve		1,510,216	1,473,678
				Special reserve		369,710	512,210
				Unappropriated earnings		491,085	377,139
				Other components of equity		712,849	(369,709)
				Equity attributable to the parent company		6,293,937	5,203,716
Total assets		$ 7,734,401	$ 7,246,750	**Total liabilities and equity**		$ 7,734,401	$ 7,246,750

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31, 2020	2019
Net sales	4, 6(13), 7	$ 4,925,300	$ 4,646,362
Operating costs	6(5), 6(16), 7	(2,814,580)	(2,411,107)
Gross profit		2,110,720	2,235,255
Unrealized gross profit on sales		(3,772)	(611)
Gross profit, net		2,106,948	2,234,644
Operating expenses	6(8), 6(16), 7		
Selling expenses		(130,004)	(96,069)
Administrative expenses		(224,244)	(231,688)
Research and development expenses		(1,587,471)	(1,640,677)
Expected credit gain	6(14)	39,408	81,606
Total operating expenses		(1,902,311)	(1,886,828)
Operating income		204,637	347,816
Non-operating income and expenses			
Interest income	6(17)	3,679	6,109
Other income	6(17)	7,346	10,169
Other gains and losses	6(3), 6(17)	(18,747)	(5,119)
Finance costs	6(17)	(4,585)	(4,779)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	104,123	36,084
Total non-operating income and expenses		91,816	42,464
Income from continuing operations before income tax		296,453	390,280
Income tax expense	4, 5, 6(19)	(28,007)	(42,403)
Net income		$ 268,446	$ 347,877
Other comprehensive income	4, 5, 6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		16,178	(4,146)
Unrealized gain from equity investment measured at fair value through other comprehensive income		1,117,032	190,313
Income tax relating to items that will not be reclassified to profit or loss		(3,235)	829
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(28,134)	(31,920)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method which may be reclassified to profit or loss		(6,340)	4,925
Other comprehensive income (net of income tax)		1,095,501	160,001
Total comprehensive income		$ 1,363,947	$ 507,878
Earnings per share (NTD)	6(20)		
Earnings per share-basic			
Earnings per share-basic		$ 1.08	$ 1.40
Earnings per share-diluted			
Earnings per share-diluted		$ 1.08	$ 1.40

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity		
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
Balance as of January 1, 2019	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ 4,796,379
Appropriation and distribution of 2018 retained earnings								
Legal reserve	-	-	26,323	-	(26,323)	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	347,877
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	160,001
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	507,878
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	98,299
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-
Balance as of December 31, 2019	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ 5,203,716
Balance as of January 1, 2020	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ 5,203,716
Appropriation and distribution of 2019 retained earnings								
Legal reserve	-	-	36,538	-	(36,538)	-	-	-
Cash dividends	-	-	-	-	(273,405)	-	-	(273,405)
Special reserved	-	-	-	(142,500)	142,500	-	-	-
Net income in 2020	-	-	-	-	268,446	-	-	268,446
Other comprehensive income (loss) in 2020	-	-	-	-	12,943	(28,134)	1,110,692	1,095,501
Total comprehensive income (loss) in 2020	-	-	-	-	281,389	(28,134)	1,110,692	1,363,947
Change in subsidiaries' ownership	-	(321)	-	-	-	-	-	(321)
Balance as of December 31, 2020	$ 2,485,503	$ 724,574	$ 1,510,216	$ 369,710	$ 491,085	$ (113,671)	$ 826,520	$ 6,293,937

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31, 2020	For the years ended December 31, 2019
Cash flows from operating activities:		
Net Income before tax	$ 296,453	$ 390,280
Adjustments for non-cash gain or loss:		
Depreciation	67,543	64,154
Amortization	317,467	331,695
Expected credit gain	(39,408)	(81,606)
Loss on financial assets and liabilities at fair value through profit or loss	1,708	126
Interest expense	4,585	4,779
Interest income	(3,679)	(6,109)
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(104,123)	(36,084)
Changes in operating assets and liabilities:		
Contract assets	105,603	(107,884)
Notes receivable	386	(188)
Accounts receivable	29,275	103,862
Accounts receivable from related parties	38,820	(234,078)
Other receivables	(33,816)	(43,861)
Inventories	159,992	(29,898)
Prepayment for purchases	(162,379)	(84,666)
Other current assets	(1,904)	1,328
Cost to fulfil a contract	(1,975)	-
Contract liabilities	(7,017)	(253)
Accounts payable	(293,028)	133,363
Accounts payable - related parties	3,021	100,324
Other payables	(43,531)	(13,631)
Other current liabilities	4,418	519
Defined benefit liabilities	(281)	2,402
Cash generated from operations	338,130	494,574
Interest received	4,360	5,476
Interest paid	(4,585)	(4,779)
Income tax paid	(53,649)	(22,760)
Net cash provided by operating activities	$ 284,256	$ 472,511

Description	For the years ended December 31, 2020	For the years ended December 31, 2019
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost	$ 15,237	$ (15,029)
Acquisition of investments accounted for using equity method	-	(9,287)
Proceeds from capital return of investments accounted for using the equity method	290,000	-
Acquisition of property, plant and equipment	(16,981)	(59,494)
Refundable deposits	217	(527)
Acquisition of intangible assets	(269,686)	(268,076)
Net cash provide by (used in) investing activities	18,787	(352,413)
Cash flows form financing activities:		
Cash payments for principal portion of the lease liabilities	(6,563)	(5,107)
Cash dividends paid	(273,405)	(198,840)
Net cash used in financing activities	(279,968)	(203,947)
Effect of exchange rate changes on cash and cash equivalents	4,617	(4,263)
Net increase (decrease) in cash and cash equivalents	27,692	(88,112)
Cash and cash equivalents at beginning of period	1,216,369	1,304,481
Cash and cash equivalents at end of period	$ 1,244,061	$ 1,216,369

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company’s shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements for the years ended December 31, 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on February 23, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. The nature and the impact of each new standard and amendment has no material effect on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e). Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f). Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and 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 (including time deposits with original maturities of six months or less).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(1) the Company's business model for managing the financial assets and
(2) the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(1) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS15 and not within the scope of inventories.

(11) Investments accounted for using equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using the equity method," "share of profit of subsidiaries and associates accounted for using the equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using the equity method."

The Company's investment in associates is accounted for using equity method. An associate is an equity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures.* If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *"Impairment of Assets".* In determining the value in use of the investment, the Company estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36*"Impairment of Assets"*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, plant and equipment"*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company’s intangible assets is as follows:

	Computer software
Useful lives	2～3years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *"Impairment of Assets"* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.
A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Company outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Company is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Company's sale of goods is from 30 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Company has the obligation to transfer the goods subsequently. Accordingly, the Company recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Company provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Company are collected throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Company measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is aroused

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Company's intellectual property as it exist throughout the license period, the Company uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Company's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Company recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Company has the obligation to provide the services to access or use the Company's intellectual property subsequently. Accordingly, the Company recognizes payments received in advance as contract liabilities.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 (5) for more details.

B. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and expected rate of salary increases. Please refer to Note 6 (11) for more details.

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity’s domicile within the Company.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 (19) for disclosure on unrecognized deferred tax assets of the Company as of December 31, 2020.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2020	December 31, 2019
Cash		
Cash on hand	$200	$200
Checking and savings	112,531	182,420
Time deposits	1,061,330	973,749
Cash equivalents-Commercial paper with repurchase	70,000	60,000
Total	$1,244,061	$1,216,369

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

	As of	
	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$-	$204
Current	$-	$204

	As of	
	December 31, 2020	December 31, 2019
Financial liabilities mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$1,504	$-
Current	$1,504	$-

Financial assets at fair value through profit or loss were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of	
	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	$2,012,742	$895,710

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

(4) Accounts receivable, net and accounts receivable from related parties, net

	As of	
	December 31, 2020	December 31, 2019
Accounts receivable	$296,301	$318,526
Subtotal (gross carrying amount)	296,301	318,526
Less：Allowance for doubtful accounts	(4,652)	(37,010)
Subtotal	291,649	281,516
Accounts receivable from related parties, net	415,584	454,404
Subtotal (gross carrying amount)	415,584	454,404
Total	$707,233	$735,920

Accounts receivable were not pledged.

Accounts receivable are generally on 30-60 day terms from the date of monthly closing. The Company’s carrying amount of accounts receivable was amounted to NT$711,885 thousand, and NT$772,930 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6(14) for more details on impairment of account receivable, and Note 12 for more details on credit risk.

(5) Inventories

	As of	
	December 31, 2020	December 31, 2019
Work in process	$343,751	$163,460
Finished goods	113,852	454,135
Total	$457,603	$617,595

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The cost of inventories recognized in expenses amounted to NT$2,814,580 thousand and NT$2,411,107 thousand for the years ended December 31, 2020 and 2019, respectively, including the inventory valuation loss of NT$6,863 thousand and loss on scrap of inventories of NT$20,337 thousand, and the inventory valuation loss of NT$3,686 thousand and loss on scrap of inventories of NT$7,564 thousand for the years ended December 31, 2020 and 2019, respectively.

No inventories were pledged.

(6) Investments accounted for using the equity method

	As of			
	December 31, 2020		December 31, 2019	
Investee company	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Faraday Technology Corporation (USA)	$412,413	100.00%	$426,414	100.00%
Faraday Technology－B.V.I.	308,279	100.00%	365,263	100.00%
Faraday Technology Japan Corporation	82,740	99.95%	82,067	99.95%
Chih-Hung Investment Corporation	552,815	100.00%	713,257	100.00%
Sheng Bang Investment Corporation	192,188	100.00%	186,545	100.00%
Faraday Technology Vietnam Company Limited	12,229	100.00%	7,790	100.00%
Total	$1,560,664		$1,781,336	

1. The investments in subsidiaries are presented as investments accounted for using the equity method in the parent company only financial report with necessary adjustments.
2. The Company increased its investment in Faraday Technology Vietnam Company Limited by acquiring its capital with NT$9,287 thousand during the year ended December 31, 2019.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Property, plant and equipment

	As of	
	December 31, 2020	December 31, 2019
Property, plant and equipment for own use	$521,190	$561,903

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2020	$33,576	$562,550	$40,858	$165,478	$261	$675	$803,398
Additions	-	-	5,375	13,685	-	-	19,060
Exchange effect	-	-	(5,557)	(26,901)	-	-	(32,458)
As of December 31, 2020	$33,576	$562,550	$40,676	$152,262	$261	$675	$790,000
Cost:							
As of January 1, 2019	$33,576	$588,866	$41,243	$132,320	$1,620	$-	$797,625
Additions	-	595	3,768	56,153	261	675	61,452
Exchange effect	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
As of December 31, 2019	$33,576	$562,550	$40,858	$165,478	$261	$675	$803,398
As of January 1, 2020	$-	$163,256	$14,187	$64,009	$15	$28	$241,495
Additions	-	11,771	6,632	41,158	43	169	59,773
Exchange effect	-	-	(5,557)	(26,901)	-	-	(32,458)
As of December 31, 2020	$-	$175,027	$15,262	$78,266	$58	$197	$268,810
As of January 1, 2019	$-	$177,915	$11,401	$49,853	$1,620	$-	$240,789
Additions	-	12,252	6,939	37,151	15	28	56,385
Exchange effect	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
As of December 31, 2019	$-	$163,256	$14,187	$64,009	$15	$28	$241,495
Net carrying amount as of:							
As of December 31, 2020	$33,576	$387,523	$25,414	$73,996	$203	$478	$521,190
As of December 31, 2019	$33,576	$399,294	$26,671	$101,469	$246	$647	$561,903

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note:

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

(8) Intangible assets

	Software	
	For the year ended December 31, 2020	For the year ended December 31, 2019
Cost		
Beginning balance	$1,032,005	$987,287
Addition－acquired separately	37,812	162,960
Decrease－derecognition	(216,755)	(122,505)
Exchange differences	(4,617)	4,263
Ending balance	$848,445	$1,032,005
Accumulated Amortization		
Beginning balance	$513,796	$304,606
Amortization	317,467	331,695
Decrease－derecognition	(216,755)	(122,505)
Ending balance	$614,508	$513,796
Net carrying amount as of:		
December 31, 2020	$233,937	
December 31, 2019	$518,209	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
Research and development expenses	$317,467	$331,695

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Short-term payables

The Company's credit limit from short-term loans was NT$1,302,250 thousand and NT$1,350,750 thousand as of December 31, 2020 and 2019, respectively, and all of which was unused.

(10) Long-term payables

The payables were primarily attributable to several agreements which the Company entered into for certain software license. As of December 31, 2020 and 2019, payments for future years are as follows：

	As of	
Year of payment	December 31, 2020	December 31, 2019
2020	$-	111,886
2021	93,154	70,687
2022	15,810	26,214
2023	511	-
Subtotal	109,475	208,787
Less: Current portion (recognized as other payables)	(93,154)	(111,886)
Total	$16,321	$96,901

(11) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$45,218 thousand and NT$44,689 thousand, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$3,672 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The average duration of the defined benefits plan obligation as of December 31, 2020 and 2019, are 13 years and 14 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2020	2019
Current period service costs	$6,540	$5,654
Net interest expense	145	58
Total	$6,685	$5,712

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Defined benefit obligation	$138,912	$143,847	$128,922
Plan assets at fair value	(130,517)	(122,228)	(113,022)
Non-current liabilities -Defined benefit liabilities recognized on the balance sheets	$8,395	$21,619	$15,900

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2019	$128,922	$(113,022)	$15,900
Current period service costs	5,654	-	5,654
Net interest expense (income)	1,300	(1,242)	58
Subtotal	135,876	(114,264)	21,612
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	6,335	-	6,335
Experience adjustments	1,636	-	1,636
Remeasurements of defined benefit asset	-	(3,825)	(3,825)
Subtotal	7,971	(3,825)	4,146
Contributions by employer	-	(4,139)	(4,139)
As of December 31, 2019	143,847	(122,228)	21,619
Current period service costs	6,540	-	6,540
Net interest expense (income)	1,069	(924)	145
Subtotal	151,456	(123,152)	28,304
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	9,886	-	9,886
Experience adjustments	(22,430)	-	(22,430)
Remeasurements of defined benefit asset	-	(3,634)	(3,634)
Subtotal	(12,544)	(3,634)	(16,178)
Contributions by employer	-	(3,731)	(3,731)
As of December 31, 2020	$138,912	$(130,517)	$8,395

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2020	December 31, 2019
Discount rate	0.3833%	0.7234%
Expected rate of salary increases	3.00%	2.75%

A sensitivity analysis for significant assumption as of December 31, 2020 and 2019 is as shown below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$4,218	$-	$4,970
Discount rate decrease by 0.25%	4,389	-	5,198	-
Expected rate of salary increase by 0.5%	8,565	-	10,244	-
Expected rate of salary decrease by 0.5%	-	8,006	-	9,475

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Capital stock

The Company's authorized capital was NT$6,000,000 thousand and NT$5,000,000 thousand, respectively, divided into 600,000 thousand shares and 500,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options), respectively, as of December 31, 2020, and 2019, each at a par value of NT$10.

The Company's issued capital was NT$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2020 and 2019. Each share has one voting right and a right to receive dividends.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Additional paid-in capital

	As of	
	December 31, 2020	December 31, 2019
Premiums in excess of par	$594,782	$594,782
Change in subsidiaries' ownership	127,226	126,016
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	1,531
Employee stock option and others	2,566	2,566
Total	$724,574	$724,895

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Reserve for tax payments;
b. Offset accumulated losses in previous years, if any;
c. Legal reserve, which is 10% of leftover profits.
d. Allocation or reverse of special reserves as required by law or government authorities;
e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012, which set out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year", provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Order did not have impact on the Company.

Details of the 2019 and 2018 earnings distribution and dividends per share as approved by the shareholders' meeting on May 28, 2020 and June 13, 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$36,538	$26,323	$-	$-
(Reversal of) increase in special reserve	(142,500)	511,350	-	-
Common stock-cash dividend	273,405	49,710	1.1	0.2

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Legal reserve distribution by cash dividends per share NT$0.6 along with common stock-cash dividend per share NT$0.2 were resolved by the shareholders' meeting on June 13, 2019, resulting total dividend per share of NT$0.8.

Please refer to Note 6(16) for more details on employees' compensations and the remunerations to directors and supervisors.

(13) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2020 and 2019 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2020	2019
Sale of goods	$3,433,120	$2,880,774
Rendering of services	1,068,993	1,383,791
Silicon intellectual property license	423,187	381,797
Total	$4,925,300	$4,646,362
Revenue recognition point:		
At a point in time	$3,804,854	$3,203,542
Over time	1,120,446	1,442,820
Total	$4,925,300	$4,646,362

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Rendering of services	$315,431	$421,034	$313,150

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The significant changes in the Company's balances of contract assets for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
The opening balance transferred to accounts receivable	$221,927	$32,905
Change in the progress of completion	135,366	149,928
Foreign exchange movement	(19,042)	-
Impairment	-	9,139

B. Contract liabilities – current

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019
Sales of goods	$95,839	$107,608	$107,965
Rendering of services	2,874	86	-
Silicon intellectual property license	2,226	262	244
Total	$100,939	$107,956	$108,209

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
The opening balance transferred to revenue	$20,704	$23,990
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	13,687	23,737

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2020, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license are NT$1,405,177 thousand. The Company will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

	For the years ended December 31,	
	2020	2019
Costs to fulfill a contract, current	$1,975	$-

The costs to fulfill a contract are the costs incurred by the Company for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

For the year ended December 31, 2020, amortization expenses amounted to NT$6,827 thousand is recognized as operating costs.

(14) Expected credit (gain) losses

	For the years ended December 31,	
	2020	2019
Operating expenses – Expected credit (gain) losses		
Contract Assets	$-	$9,139
Account receivables	(39,408)	(35,464)
Other receivables from related parties	-	(55,281)
Total	$(39,408)	$(81,606)

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The assessments of the Company's loss allowance as of December 31, 2020 and 2019 are as follows:

i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	For the years ended December 31,	
	2020	2019
Gross carrying amount	$324,570	$430,173
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	(9,139)	(9,139)
Carrying amount	$315,431	$421,034

ii. the Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

2020.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$606,975	$6,081	$28,280	$31,748	$35,543	$4,618	$713,245
Expected credit loss rates	-%	-%	0%~2%	0%~10%	0%~50%	10%~100%	
Lifetime expected credit losses	-	-	34	-	-	4,618	4,652
Subtotal	$606,975	$6,081	$28,246	$31,748	$35,543	$-	$708,593

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2019.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$649,776	$34,325	$32,435	$20,047	$7,122	$30,971	$774,676
Expected credit loss rates	-%	-%	0~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	473	2,005	3,561	30,971	37,010
Subtotal	$649,776	$34,325	$31,962	$18,042	$3,561	$-	$737,666

Note: All of the Company's note receivables are not yet due.

iii. The gross carrying amount of other receivables - related parties are NT$124,613 thousand and NT$115,677 thousand as of December 31, 2020 and 2019, respectively. The amount of allowance for doubtful accounts are NT$0 thousand and NT$10,747 thousand as of December 31, 2020 and 2019, respectively, by considering counterparties' credit rating, geographical region and industry, etc.

The movements in the provision for impairment of account receivables during the years ended December 31, 2020 and 2019 are as follows:

	Contract assets	Account receivables and other account receivables from related parties
As of January 1, 2020	$9,139	$47,757
Increase (reversal) for the current period	-	(39,408)
Write-off due to uncollectibility	-	(3,697)
As of December 31, 2020	$9,139	$4,652
As of January 1, 2019	$-	$138,502
Addition for the current period	9,139	(90,745)
As of December 31, 2019	$9,139	$47,757

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Leases

A. The Company as lessee

The Company leases various properties, including real estate (land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2020	December 31, 2019
Land	$191,528	$196,848
Buildings and facilities	3,419	4,591
Transportation equipment	583	1,749
Office equipment	120	232
Total	$195,650	$203,420

(b) Lease liability

	As of	
	December 31, 2020	December 31, 2019
Lease liability	$199,519	$206,082
Lease liability-current	$5,432	$6,572
Lease liability-noncurrent	194,087	199,510
Total	$199,519	$206,082

Please refer to Note 6 (17) for the interest on lease liability recognized during the years ended December 31, 2020 and 2019 and refer to Note 12 (5) for the maturity analysis for lease liabilities.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2020	2019
Land	$5,320	$5,320
Buildings and facilities	1,172	1,172
Transportation equipment	1,166	1,166
Office equipment	112	111
Total	$7,770	$7,769

c. Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases amounted to NT$11,148 thousand and NT$9,810 thousand, respectively.

d. Other information relating to leasing activities

Extension option

Some of the Company's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with period covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(16) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2020 and 2019:

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$42,436	$990,675	$1,033,111	$46,500	$1,072,746	$1,119,246
Labor and health insurance	3,249	63,690	66,939	3,309	65,650	68,959
Pension	2,371	49,532	51,903	2,335	48,066	50,401
Remuneration to directors	-	6,523	6,523	-	5,806	5,806
Others	1,066	21,965	23,031	1,026	22,172	23,198
Depreciation	913	66,630	67,543	916	63,238	64,154
Amortization	-	317,467	317,467	-	331,695	331,695

(1) The average number of employees of the Company was 629 and 638 for the years ended December 31, 2020 and 2019, respectively, including 5 and 4 non-employee directors for years ended December 31, 2020 and 2019, respectively.

(2) Listed companies need to disclose the following additional information:

A. The average employee benefits expense for the current year was NT$1,883 thousand, and the average employee benefits expense for the previous year was NT$1,990 thousand.

B. The average employee salaries for the current year was NT$1,656 thousand, and the average employee salaries for the previous year was NT$1,765 thousand.

C. The Company's average salary expense adjustment decreased by 6.2%.

D. The Company has established the Audit Committee in replace of supervisors and therefore the supervisors' remuneration for the years ended December 31, 2020 and 2019 were both nil.

E. The Company set the directors' compensation policy in its Article of Incorporation in Article 27-1: The Company shall allocate no more than 2% of profit as directors' compensation for each profitable fiscal year after offsetting any cumulative losses. According to Article 16 of the Company's Article of Incorporation, the Board of Directors will calculate the directors' remuneration regardless in the profit or loss by referencing individual's involvement in operations and contributions with benchmarking to market compensation surveys.

The compensation of the executives of the Company is guided in accordance with Performance Management Policy. Executives' compensation packages are calculated by taking into consideration these individuals' achievements in the key performance indicators and contributions to the Company's overall operations, bench-marking industry averages. The Compensation Committee shall review the proposals prepared by Human Resources and subsequently reward the Executives with the approval of the Board of Directors.

Compensation and Remuneration Policy of the Company is based on individuals' competency, contributions, and performance results, which is positively related to the Company's overall performance. The compensation and remuneration are primarily the combination of base salary, incentive & profit sharing, and benefits. Base salary is determined by roles & responsibilities, competency in the market, and policy of the Company. Incentives & profit sharing are in relation to individual contribution, departmental achievements or the Company's performance. Benefits are designed not only in accordance with laws and government regulations but also to meet individual's need, providing all employees with mutual welfare conditions.

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$39,970 thousand and NT$248 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$39,970 thousand and NT$248 thousand for the year ended December 31, 2020.

Actual employees' compensation and remuneration to directors for the year ended December 31, 2019 was NT$51,662 thousand and NT$216 thousand, respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2019.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	2019
	$3,679	$6,109

B. Other income

	For the years ended December 31,	
	2020	2019
Rental income	$857	$1,057
Others	6,489	9,112
Total	$7,346	$10,169

C. Other gains and losses

	For the years ended December 31,	
	2020	2019
Foreign exchange (losses) gains	$(6,679)	$5,576
Losses on financial assets at fair value through profit or loss	(1,708)	(126)
Others	(10,360)	(10,569)
Total	$(18,747)	$(5,119)

D. Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense on lease liabilities	$4,585	$4,703
Others	-	76
Total	$4,585	$4,779

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$16,178	$-	$16,178	$(3,235)	$12,943
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	1,117,032	-	1,117,032	-	1,117,032
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	(28,134)	-	(28,134)	-	(28,134)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(6,340)	-	(6,340)	-	(6,340)
Total of other comprehensive income	$1,098,736	$-	$1,098,736	$(3,235)	$1,095,501

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(4,146)	$-	$(4,146)	$829	$(3,317)
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	190,313	-	190,313	-	190,313
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	(31,920)	-	(31,920)	-	(31,920)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	4,925	-	4,925	-	4,925
Total of other comprehensive income	$159,172	$-	$159,172	$829	$160,001

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(19) Income tax

The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2020	2019
Current income tax expense:		
Current income tax payable	$41,958	$35,173
Adjustments in respect of current income tax of prior periods	(4,389)	(4,039)
Deferred tax expense (income):		
Deferred income tax income related to origination and reversal of temporary differences	(9,562)	11,269
Total income tax expense	$28,007	$42,403

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2020	2019
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$3,235	$(829)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2020	2019
Accounting profit before tax from continuing operations	$296,453	$390,280
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	$59,291	$78,056
Tax effect of revenues exempted from taxation	(30,192)	(3,262)
Tax effect of deferred tax assets/liabilities	(3,290)	(11,589)
Surtax on undistributed retained earnings	6,315	-
Adjustments in respect of current income tax of prior periods	(4,389)	(4,039)
Tax credits	-	(14,053)
Others	272	(2,710)
Total income tax expense recognized in profit or loss	$28,007	$42,403

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2020
Temporary differences					
Unrealized exchange loss	$2,626	$2,422	$-	$-	$5,048
Unrealized exchange gain	(5,132)	(1,001)	-	-	(6,133)
Unrealized allowance for inventory valuation and obsolescence losses	9,830	1,373	-	-	11,203
Revaluations of financial assets (liabilities) at fair value through profit or loss	(41)	342	-	-	301
Defined benefit liabilities , non-current	4,324	590	(3,235)	-	1,679
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized loss from sales	122	633	-	-	755
Unrealized bad debt expense	14,517	5,203	-	-	19,720
Deferred tax expense		$9,562	$(3,235)	$-	
Net deferred tax assets/(liabilities)	$29,216				$35,543
Reflected in balance sheet as follows:					
Deferred tax assets	$34,389				$41,676
Deferred tax liabilities	$5,173				$6,133

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2019
Temporary differences					
Unrealized exchange loss	$532	$2,094	$-	$-	$2,626
Unrealized exchange gain	(1,858)	(3,274)	-	-	(5,132)
Unrealized allowance for inventory valuation and obsolescence losses	9,093	737	-	-	9,830
Revaluations of financial assets (liabilities) at fair value through profit or loss	(66)	25	-	-	(41)
Defined benefit liabilities , non-current	3,180	315	829	-	4,324
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized loss from sales	100	22	-	-	122
Unrealized bad debt expense	25,705	(11,188)	-	-	14,517
Deferred tax expense		$(11,269)	$829	$-	
Net deferred tax assets/(liabilities)	$39,656				$29,216
Reflected in balance sheet as follows:					
Deferred tax assets	$41,580				$34,389
Deferred tax liabilities	$1,924				$5,173

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that were not recognized amounted to NT$84,602 thousand and NT$70,704 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$58,928 thousand and NT$53,702 thousand, respectively.

As of December 31, 2020, the assessment of the income tax of the Company is assessed and approved up to 2018.

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2020	2019
(a) Basic earnings per share		
Net income (in thousand NT$)	$268,446	$347,877
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share	$1.08	$1.40

	For the years ended December 31	
	2020	2019
(b) Diluted earnings per share		
Net income (in thousand NT$)	$268,446	$347,877
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	886	493
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	249,436	249,043
Diluted earnings per share	$1.08	$1.40

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting years is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc.(Note)	Subsidiaries' associates
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties
Faraday Technology Corporation (USA)	Subsidiaries
Faraday Technology Japan Corporation	Subsidiaries
FaradayTek Solutions India Private Limited	Subsidiaries
Faraday Technology Vietnam Company Limited	Subsidiaries
GrainTech Electronics Limited	Subsidiaries
Faraday Technology China Corporation	Subsidiaries
Grain Media Inc.	Subsidiaries
Innopower Technology Corporation (Innopower)	Subsidiaries

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
United Creative Solution Corporation	Subsidiaries
Faraday Technology Corporation (Suzhou)	Subsidiaries
Artery Technology Corporation, Ltd.	Subsidiaries
United Business Service Corporation	Subsidiaries
Artery Technology Company	Subsidiaries

Note：The Group disposed of Fresco Logic Inc. in June 2020, which ceased to be a related party since that day.

(1) Sales

	For the years ended December 31	
	2020	2019
United Microelectronics Corporation	$583,729	$588,512
Faraday Technology Japan Corporation	391,760	581,418
Faraday Technology China Corporation	849,163	700,381
Subsidiaries	828,064	715,796
Subsidiaries' associates	15,158	54,925
Other related parties	36,196	30,381
Total	$2,704,070	$2,671,413

The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2020	2019
United Microelectronics Corporation	$1,222,521	$1,048,948
HeJian Technology (Suzhou) Co., Ltd.,	600,515	554,695
Other related parties	123,802	39,826
Total	$1,946,838	$1,643,469

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Expense and Revenue

	Items	For the years ended December 31 2020	2019
Subsidiaries	Research and development expenses	$131,674	$61,110
United Microelectronics Corporation	Research and development expenses	1,502	-
United Microelectronics Corporation	Testing expenses	2,484	622
HeJian Technology (Suzhou) Co., Ltd.,	Testing expenses	798	677
Subsidiaries	Rental income	-	(114)
Total		$136,458	$62,295

(4) Contract assets-current

	As of December 31, 2020	December 31, 2019
Faraday Technology China Corporation	$201,412	$272,676
United Creative Solution Corporation	41,862	-
Subsidiaries	-	10,189
Total	$243,274	$282,865

(5) Accounts receivables from related parties, net

	As of December 31, 2020	December 31, 2019
United Microelectronics Corporation	$129,703	$158,554
Faraday Technology Corporation (USA)	127,124	35,855
Faraday Technology Japan Corporation	33,249	83,015
Faraday Technology China Corporation	15,387	72,899
Innopower	72,612	34,044
Subsidiaries	37,509	57,977
Subsidiaries' associates	-	12,060
Total	$415,584	$454,404

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Other receivables

	As of	
	December 31, 2020	December 31, 2019
Faraday Technology China Corporation	$54,347	$27,347
Faraday Technology Corporation (USA)	38,904	-
Innopower	29,894	30,649
Artery Technology Corporation, Ltd.	-	15,777
Subsidiaries	1,468	42
Total	$124,613	$73,815

(7) Contract liabilities-current

	As of	
	December 31, 2020	December 31, 2019
Subsidiaries	$234	$113
Entity with joint control or significant influence over the Company	427	-
Total	$661	$113

(8) Accounts payable to related parties, net

	As of	
	December 31, 2020	December 31, 2019
United Microelectronics Corporation	$113,330	$78,655
HeJian Technology (Suzhou) Co., Ltd.,	469	122,613
Faraday Technology Corporation (USA)	77,197	6,345
Subsidiaries	8,128	138
Other related parties	18,411	6,763
Total	$217,535	$214,514

(9) Other payables

	As of	
	December 31, 2020	December 31, 2019
Subsidiaries	$302	$438

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Key management personnel compensation

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$77,747	$88,012
Post-employment benefits	1,307	1,290
Total	$79,054	$89,302

8. Assets Pledged As Collateral

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

	Carrying amount		
Assets pledged for security	2020.12.31	2019.12.31	Secured liabilities
Financial assets measured at amortized cost	$15,028	$30,265	Custom clearance deposit

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

12. Others

(1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$-	$204
Financial assets at fair value through other comprehensive income	2,012,742	895,710
Financial assets measured at amortized cost (Note)	2,119,521	2,103,221
Total	$4,132,263	$2,999,135

Financial liabilities

	As of	
	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$1,504	$-
Financial liabilities at amortized cost:		
Payables (including related parties)	747,556	1,035,484
Other payables	317,487	512,312
Long-term payables	16,321	96,901
Lease liabilities	199,519	206,082
Total	$1,282,387	$1,850,779

Note : Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk exposures.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense are denominated in a different currency from the Company’s functional currency) and the Company’s net investments in foreign subsidiaries.

The Company has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company’s profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company’s foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2020 and 2019 would decrease /increase by NT$18,417 thousand and NT$3,297 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Company's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Company's unlisted equity securities and other investment are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2020, and 2019, accounts receivable from top ten customers represented 75% and 71% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Company are described as follows:

				Carrying amount As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2020	December 31, 2019
Simplified method (Note)	Not applicable	Lifetime expected credit losses	0%~100%	$1,037,815	$1,204,849

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract asset, notes receivables and account receivables.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Payables (including related parties)	$747,556	$-	$-	$-	$747,556
Other payables	317,487	-	-	-	317,487
Long-term payables	-	16,321	-	-	16,321
Lease Liability	9,888	18,262	15,909	246,589	290,648
As of December 31, 2019					
Payables (including related parties)	$1,035,484	$-	$-	$-	$1,035,484
Other payables	512,312	-	-	-	512,312
Long-term payables	-	96,901	-	-	96,901
Lease Liability	10,484	19,074	17,030	254,544	301,132

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Inflows	$21,494	$-	$-	$-	$21,494
Outflows	(22,998)	-	-	-	(22,998)
Net	$(1,504)	$-	$-	$-	$(1,504)
As of December 31, 2019					
Inflows	$108,183	$-	$-	$-	$108,183
Outflows	(107,979)	-	-	-	(107,979)
Net	$204	$-	$-	$-	$204

The table above contains the undiscounted net cash flows of derivative financial instruments.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2020:

	Lease Liabilities
As of January 1, 2020	$206,082
Cash flows	(6,563)
As of December 31, 2020	$199,519

Reconciliation of liabilities for year ended December 31, 2019:

	Lease Liabilities
As of January 1, 2019	$211,189
Cash flows	(5,107)
As of December 31, 2019	$206,082

(7) Fair values of financial instruments

(a) the methods and assumptions applied in determining the fair value of financial instruments:
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivables, other receivables, payables and other payables approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.

iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.

iv. The long-term payables are determined by discounted cash flow analysis. The Company estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.

v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2020 and 2019 is as follows:

Forward currency contracts

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
As of December 31, 2020		
Forward currency contract	Sell foreign currency USD 5,000 thousand	From 2020.12.07 to 2021.01.25
Forward currency contract	Sell foreign currency RMB 5,000 thousand	From 2020.12.23 to 2021.01.28
As of December 31, 2019		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2019.12.23 to 2020.01.09
Forward currency contract	Sell foreign currency RMB 25,000 thousand	From 2019.12.25 to 2020.01.17

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows

As of December 31, 2020：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$-	$-	$2,012,742	$2,012,742
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	1,504	-	$1,504

As of December 31, 2019：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$204	$-	$204
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	895,710	895,710

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
Beginning balances as of January 1, 2020	$895,710	$895,710
Total gains and losses recognized for the year ended December 31, 2020:		
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	1,117,032	1,117,032
Ending balances as of December 31, 2020	$2,012,742	$2,012,742

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
Beginning balances as of January 1, 2019	$705,397	$705,397
Total gains and losses recognized for the year ended December 31, 2019:		
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	190,313	190,313
Ending balances as of December 31, 2019	$895,710	$895,710

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Recognized as profit (loss) above, the gain or loss from financial assets still held by the Company as of December 31, 2020 and 2019 was both NT$0 thousand.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company’s equity by NT$201,274 thousand

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company’s equity by NT$89,571 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2020:

None

As of December 31, 2019:

None

(10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below (amounts in thousands):

	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$29,944	28.09	$841,121
Non-monetary items:			
USD	15,378	28.09	431,961
Financial liabilities			
Monetary items:			
USD	23,387	28.09	656,949

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$32,089	30.03	$963,646
Non-monetary items:			
USD	14,643	30.03	439,722
Financial liabilities			
Monetary items:			
USD	30,991	30.03	930,673

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of foreign currency transactions within the Company, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange (loss) gain was NT$(6,679) thousand and NT$5,576 thousand for the years ended December 31, 2020 and 2019, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

11.Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2020:

(a) Financing provided to others for the year ended December 31, 2020: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2020: None.

(c) Securities held as of December 31, 2020: Please refer to Attachment 1.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2020: Please refer to Attachment 2.

(h) Receivables from related parties with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2020: Please refer to Attachment 3.

(i) Financial instruments and derivative transactions: Please refer to Note 12.

(j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Company: Please refer to Attachment 5.

(3) Information on investments in Mainland China

(a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.

(b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2020:

i. Purchases amount and percentage, and related ending balance and percentage of payables: None.

ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.

iii. Property transaction amount and occurred gain (loss): None.

iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.

v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.

vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

(4) Major shareholder information

Please refer to Attachment 7.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2020) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	92,496,000	$1,925,599	12.12%	$1,925,599	-
	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	87,143	5.00%	87,143	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Preferred stock Common Stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, noncurrent	14,600,000 1,714,285	$-	12.60%	$-	-
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, noncurrent	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	24,713	9.53%	24,713	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, noncurrent	1,200,000	11,124	9.95%	11,124	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, noncurrent	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, noncurrent	1,818	113,995	8.70%	113,995	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	57,422	15.00%	57,422	-

Sheng Bang Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2020 Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, noncurrent	10,000	$23,497	-	$23,497	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	13,658	19.67%	13,658	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, noncurrent	-	12,307	8.50%	12,307	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2020)

Faraday Technology Corporation

		Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		
Counter-party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit Price	Payment Term	Balance	Percentage of total receivables (payable)	Note
Faraday Technology Corporation (USA)	Subsidiary	Sales	$413,182	8.39%	Month-end 60 days	Note 1	Note3	$127,124	17.94%	-
Faraday Technology China Corporation	Subsidiary	Sales	849,163	17.24%	Month-end 60 days	Note 1	Note3	15,387	2.17%	-
Faraday Technology Japan Corporation	Subsidiary	Sales	391,760	7.95%	Month-end 60 days	Note 1	Note3	33,249	4.69%	-
Artery Technology Corporation, Ltd.	Subsidiary	Sales	164,608	3.34%	Month-end 60 days	Note 1	Note3	29,584	4.18%	
Innopower Technology Corporation (Innopower)	Subsidiary	Sales	141,770	2.88%	Month-end 60 days	Note 2	Note 2	72,612	10.25%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	1,222,521	69.36%	Month-end 60 days	Note 4	Note 4	113,330	15.28%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	583,729	11.85%	Month-end 60 days	Note 2	Note 2	129,703	18.30%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	600,515	34.07%	Month-end 60 days	Note 4	Note 4	383	0.05%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	117,022	6.64%	Month-end 60 days	Note 4	Note 4	18,027	2.43%	

Note 1: The sales price to the above related parties was determined through mutual agreement in reference to resale price.
Note 2: Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.
Note 3: The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties.
Note 4: The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 60 days.

FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 3 (Related party transactions for receivables of NT$100 million or 20 percent of capital stock for the year ended December 31, 2020)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	$129,703	4.05	$-	$-	$42,664	$-
Faraday－USA	Subsidiary	127,124	5.07	$-	$-	53,707	$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.
Note 2: The capital stock is the parent's capital stock.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Term	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	$413,182	Note 4	7.52%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expense	77,197	According to the contract	1.40%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	127,124	Month-end 60 days	1.55%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	38,904	Month-end 60 days	0.47%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payables	77,197	Month-end 60 days	0.94%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	391,760	Note 4	7.13%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	33,249	Month-end 60 days	0.41%
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expense	22,389	According to the contract	0.41%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	164,608	Note 5	3.00%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	29,584	Month-end 60 days	0.36%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	849,163	Note 5	15.45%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	201,412	According to the contract	2.46%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	214	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	15,387	Month-end 60 days	0.19%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	54,347	Month-end 60 days	0.66%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payables	133	Month-end 60 days	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Transactions: Amount	Transactions: Terms	Transactions: Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	$ 1,901	Note 5	0.03%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Sales	93,592	Note 5	1.70%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract Assets	41,862	According to the contract	0.51%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract liabilities	20	According to the contract	-
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	1,041	Month-end 60 days	0.01%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Research expense	290	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payables	290	Month-end 60 days	-
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Sales	141,770	Note 5	2.58%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Accounts receivable	72,612	Month-end 60 days	0.89%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other receivables	29,894	Month-end 60 days	0.36%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	13,011	Note 5	0.24%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	6,884	Month-end 60 days	0.08%
0	Faraday Technology Corporation	Artery Technology Company	1	Other receivables	1,468	Month-end 60 days	0.02%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expense	31,798	According to the contract	0.58%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2020

				Transactions			
No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Accounts payables	$ 7,705	Month-end 60 days	0.09%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	71,262	Note 5	1.30%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Accounts receivable	20,300	Month-end 60 days	0.25%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology Vietnam Company Limited	3	Research expense	4,414	According to the contract	0.08%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	305	Note 5	0.01%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	2,745	Note 5	0.05%
3	Artery Technology Company	Artery Technology Corporation, Ltd.	3	Sales	8,272	According to the contract	0.15%
3	Artery Technology Company	Artery Technology Corporation, Ltd.	3	Contract liabilities	752	Month-end 60 days	0.01%

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end. For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2020)

Faraday Technology Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation (USA)	USA	Sales representive in America	$436,907	$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	$412,413	$15,085	$14,206
Faraday Technology - B.V.I	British Virgin Islands	Trading and general investing	706,792	706,792	Common stock 22,140 thousand shares	100.00%	308,279	(57,865)	(57,184)
Faraday Technology Japan Corporation	Japan Tokyo	Sales representive in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	82,740	2,055	2,055
Chih-Hung Investment Corporation	Taiwan	General Investing	620,000 (Note 2)	910,000	Common stock 62,000 thousand shares	100.00%	552,815	134,052	135,920
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	192,188	4,940	4,007
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	12,229	5,119	5,119

Chih-Hung Investment Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$1,456	$1,456	Common stock 146 thousand shares	19.42%	$1,143	$(76)	$(15)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 14,942 thousand shares	100.00%	205,479	(13,390)	(13,390)
Fresco Logic Inc.	USA	IC designing	- (Note 3)	281,853	-	-	-	(98,634)	(23,591)
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	71	2,083	21

Sheng Bang Investment Corporation

			Initial Investment		Investment as of December 31, 2020				
Investee company	Address	Main businesses and products	December 31, 2020	December 31, 2019	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$6,044	$6,044	Common stock 604 thousand shares	80.58%	$4,740	$(76)	$(61)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	7,003	2,083	2,062

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2020)

Innopower Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Bright Capital Group Limited	Samoa	General investing	$68,593	$68,593	Common stock 2,301 thousand shares	100.00%	$235,513	$2,236	$2,236

Faraday Technology - B.V.I

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD $12,859,205	USD $12,859,205	Common stock 12,804 thousand shares	100.00%	$66,932	$(20,936)	$(20,936)
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,063	(541)	(541)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	137,998	(10,757)	(10,757)
Artery Technology Corporation-Cayman	Cayman	General investing	USD 4,460,000	USD 4,460,000	Common stock 4,300 thousand shares	67.20%	96,410	(37,953)	(25,505)

Artery Technology Corporation - Cayman

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2020	Initial Investment: December 31, 2019	Investment as of December 31, 2020: Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Artery Technology Company	Taiwan	IC designing, marketing and customer service	$25,897 (Note 4)	$25,897 (Note 4)	Common stock 2,594 thousand shares (Note 4)	67.20% (Note 5)	(2,599)	(20,107)	(13,512)

Note 1: USD are expressed in dollars.
Note 2: Chih-Hung Investment Corporation returned its capital of NT$290,000 thousand on June 29, 2020.
Note 3: Fresco Logic Inc. disposed of all preferred stock during the six-month period ended June 30, 2020.
Note 4: The Company invested in Artery Technology Company amounted to NT$60 thousand (common stock 10 thousand shares) through Faraday Technology-B.V.I.'s investee Artery Technology Corporation-Cayman. Non-controlling interest invested in Artery Technology Company amounted to NT$25,837 thousand (common stock 2,584 thousand shares) through Artery Technology Corporation-Cayman.
Note 5: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Company; therefore, the Group's share of profit or loss of Artery Technology Company is 67.20%.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2020)

Unit:New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
Faraday Technology China Corporation	IC designing, marketing and customer service	$168,540 (USD 6,000,000)	Note 1 Note 3	$168,540 (USD 6,000,000)	$-	$-	$168,540 (USD 6,000,000)	$(20,809)	100.00%	$(20,809)	$64,412	$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	$162,922 (USD 5,800,000)	Note 4	$162,922 (USD 5,800,000)	$-	$-	$162,922 (USD 5,800,000)	$2,236	100.00%	$2,236	$235,513	$-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	$112,383 (USD 4,000,814)	Note 1 Note 5	$112,383 (USD 4,000,814)	$- $-	$-	$112,383 (USD 4,000,814)	-	100.00%	-	$448	$-
United Business Service Corporation	IC designing, marketing and customer service	$129,510 (RMB $30,000,000	Note 1 Note 6	$129,510 (RMB 30,000,000)	$-	$-	$129,510 (RMB 30,000,000)	$(10,757)	100.00%	$(10,757)	$137,997	$-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	$271,349 (USD 9,660,000)	Note 1 Note 7 Note 10	$125,281 (USD 4,460,000)	$-	$-	$125,281 (USD 4,460,000)	$(14,819)	67.20%	$(9,959)	$98,426	$-
United Creative Solution Corporation	IC designing, marketing and customer service	$21,585 (RMB 5,000,000)	Note 8	$-	$-	$-	$-	$2,882	100.00%	$2,882	$24,040	$-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	$4,317 (RMB 1,000,000)	Note 9	$-	$-	$-	$-	$9	100.00%	$9	$4,317	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2020)

Accumulated investment in Mainland China as of December 31, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$701,572 (Note 2) (USD 24,975,881)	$789,661 (Note 2) (USD 28,111,835)	$3,776,362

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation-Cayman.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2020.

Note 3: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Brigtht Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2020, Investment Commission, MOEA approved the total investment amount USD 5,500 thousand , and the Company had remitted USD 4,460 thousand for the investment.

Note 8: United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

Note 9: United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

Note 10: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, Ltd. ; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 67.20%.

FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (The information of main shareholders)

Number of ordinary shares / Name of major shareholders	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%

Explanation： If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or different.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, inclueds the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

FARADAY TECHNOLOGY CORPORATION

1. STATEMENT OF CASH AND CASH EQUIVALENTS

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Dollars of Foreign Currencies)

Item	Description	Amount	Note
Cash on hand		$ 200	1. Cash and cash equivalents were not pledged.
Saving			2. Foreign exchange rate as of December 31, 2020
NT Dollars		102,622	
Foreign currency	USD 112,157.66	3,151	USD1=NTD28.09
	CNY 7,515.45	32	CNY1=NTD4.317
Checking deposits			
Foreign currency	USD 239,457.00	6,726	
Time Deposits			
NT Dollars		989,700	
Foreign currency	USD 2,550,000.00	71,630	
Commercial Paper		70,000	
Total		$ 1,244,061	

FARADAY TECHNOLOGY CORPORATION

2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Dollars Foreign Currencies)

Financial Instruments	Contract Amount	Contract Period	Fair Value	Note
Forward currency contract				
Forward currency contract	USD 5,000,000	2020/12/07-2021/01/25	$ 1,123	
	CNY 5,000,000	2020/12/23-2021/01/28	381	
			$ 1,504	

FARADAY TECHNOLOGY CORPORATION

3. STATEMENT OF ACCOUNTS RECEIVABLES

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			The accounts receivables were all derived from daily operations.
Client A		$ 109,351	
Client B		37,466	
Client C		28,734	
Client D		25,870	
Client E	The amount of individual client in others does not exceed 5% of the account balance.	21,207	
Others		73,673	
		296,301	
Less : Allowance for doubtful accounts		(4,652)	
Net amount		$ 291,649	

FARADAY TECHNOLOGY CORPORATION

4. STATEMENT OF INVENTORIES

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Fair Value	
Work in process		$ 386,049	$ 686,116	1. Inventories were not pledged.
Finished goods		127,569	187,042	
Total		513,618	$ 873,158	2. Inventories are valued at lower of cost and net realizable value item by item. In addition, allowance of inventory obsolescence is reserved for slow moving item.
Less：Allowance for inventory valuation losses		(56,015)		
Net Amount		$ 457,603		

FARADAY TECHNOLOGY CORPORATION

5. STATEMENT OF OTHER CURRENT ASSETS

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other prepaid expenses		$ 131,064	
Payment on behalf of others		1,301	
Total		$ 132,365	

FARADAY TECHNOLOGY CORPORATION

6. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

		Beginning Balance		Acquisition		Disposal					Ending Balance			Net Assets Value		
Investee Company	Kind	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Others	Shares (Thousands)	%	Amount	Unit (dollars)	Collateral	Note
Faraday Technology Corporation (USA)	Common stock	118,580	$ 426,414	-	$ -	-	$ -	$ 14,206	$ (28,207)	$ -	118,580	100%	$ 412,413	$ 3.42	None	
	Preferred stock	2,000	-	-	-	-	-	-	-	-	2,000	100%	-	-	None	
Faraday Technology－B.V.I.	Common stock	22,140	365,263	-	-	-	-	(57,184)	(1,010)	1,210	22,140	100%	308,279	13.92	None	Note(1)
Faraday Technology Japan Corporation	Common stock	2	82,067	-	-	-	-	2,055	(1,382)	-	2	99.95%	82,740	41,370	None	
Chih-Hung Investment Corporation	Common stock	91,000	713,257	-	-	(29,000)	(290,000)	135,920	3,598	(9,960)	62,000	100%	552,815	8.92	None	Note(2)
Sheng Bang Investment Corporation	Common stock	22,202	186,545	-	-	-	-	4,007	(453)	2,089	22,202	100%	192,188	8.66	None	Note(3)
Faraday Technology Vietnam Company Limited	Capital	-	7,790	-	-	-	-	5,119	(680)	-	-	-	12,229	-	None	
The total of investments accounted for using the equity method			$ 1,781,336		$ -		$ (290,000)	$ 104,123	$ (28,134)	$ (6,661)			$ 1,560,664			

Note 1: Others are additional paid-in auounted to NT$1,210 thousand.

Note 2: Others inclued unrealized loss on financial assets measured at fair value through other comprehensive income amounted to NT$8,429 thousand, and additional paid-in amounted to NT$(1,531) thousand.

Note 3: Others inclued unrealized gain on financial assets measured at fair value through other comprehensive income amounted to NT$2,089 thousand.

FARADAY TECHNOLOGY CORPORATION
7. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

	Beginning Balance		Acquisition		Disposal		Unrealized gain on financial assets measured at fair value through other comprehensive income	Ending Balance			
Item	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value	Collateral	Note
SHIEH YONG Investment Co., Ltd.	92,496,000	$ 826,854	-	$ -	-	$ -	$ 1,098,745	92,496,000	$ 1,925,599	None	Note
Unitech Capital Inc.	2,500,000	68,856	-	-	-	-	18,287	2,500,000	87,143	None	Note
Total		$ 895,710		$ -		$ -	$ 1,117,032		$ 2,012,742		

8. Statement of property, plant and equipment
Please refer to Note6 (7)

9. Statement of depreciation of property, plant and equipment
Please refer to Note6 (7)

FARADAY TECHNOLOGY CORPORATION

10. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	$ 202,168	$ -	$ -	$ 202,168	
Buildings and facilities	5,763	-	-	5,763	
Transportation equipment	2,915	-	-	2,915	
Office equipment	343	-	-	343	
Total	$ 211,189	$ -	$ -	$ 211,189	
Accumulated Depreciation					
Land	$ 5,320	$ 5,320	$ -	$ 10,640	
Buildings and facilities	1,172	1,172	-	2,344	
Transportation equipment	1,166	1,166	-	2,332	
Office equipment	111	112	-	223	
Total	$ 7,769	$ 7,770	$ -	$ 15,539	

11. Statement of Intangible assets

Please refer to Note 6(8)

FARADAY TECHNOLOGY CORPORATION

12. STATEMENT OF ACCOUNTS PAYABLES

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Accounts payables			The accounts payable was all derived from daily operations.
Siliconware Precision Industries Co., Ltd.		$ 66,216	
Suchou Xinshun Yuanfan Semiconductor Technology Co., Ltd		31,461	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	426,700	
Total		$ 524,377	

FARADAY TECHNOLOGY CORPORATION

13. STATEMENT OF OTHER PAYABLES

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued salaries		$ 121,135	
Research expense payables	Include EDA Tool and Authorization fee	93,154	
Employee compensation payables		22,978	
Others	The amount of individual item in others does not exceed 5% of the account balance.	80,220	
Total		$ 317,487	

FARADAY TECHNOLOGY CORPORATION

14. STATEMENT OF LEASE LIABILITIES

As of December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease Term	Discount rate (year)	Ending Balance	Note
Land	2003/08/01~2056/12/31	2.277%	$ 195,317	
Buildings and facilities	2017/12/01~2023/11/30	1.707%	3,477	
Transportation equipment	2018/06/27~2021/06/26	1.707%	593	
Office equipment	2014/02/01~2022/01/31	1.707%	132	
Total			$ 199,519	

FARADAY TECHNOLOGY CORPORATION

15. STATEMENT OF NET SALES

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Sales of goods		$ 3,433,120	
Rendering of services		1,068,993	
Silicon intellectual property license		423,187	
Net operating revenues		$ 4,925,300	

FARADAY TECHNOLOGY CORPORATION

16. STATEMENT OF OPERATING COSTS

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Direct material			
Beginning of year		$ -	
Add: Raw material purchased		1,762,595	
Less: Raw material, end of year		-	
Direct material uesd		1,762,595	
Direct labor		-	
Manufacturing Expenses		861,284	
Manufacturing Costs		2,623,879	
Add: Work in process, beginning of year		200,321	
Returns for rework		34,403	
Less: Work in process, end of year		(386,049)	
Scrap		(15,025)	
Cost of Finished Goods		2,457,529	
Add: Finished goods, beginning of year		466,426	
Others		32,515	
Less: Finished goods, ending of year		(127,569)	
Sample		(228)	
Picking for rework		(34,403)	
Scrap		(5,312)	
Revenue from sales of scrap		(1,544)	
Add: Employee compensation		1,807	
Add: Loss on inventory valuation		6,863	
Add: Loss on scrap of inventories		20,337	
Less: Purchase Discount		(1,841)	
Total Operating Costs		$ 2,814,580	

FARADAY TECHNOLOGY CORPORATION

17. STATEMENT OF MANUFACTURING EXPENSES

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Variable manufacturing expenses			
C/P		$ 62,115	
ASSY		631,472	
F/T		106,280	
Subtotal		799,867	
Fixed manufacturing expenses			
Wages and salaries		43,000	
Grinding expense		6,100	
Shipping expense		4,271	
Insurance expense		3,332	
Others	The amount of individual item in others does not exceed 5% of the account balance.	4,714	
		61,417	
Subtotal		$ 861,284	

FARADAY TECHNOLOGY CORPORATION

18. STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wages and salaries		$ 57,764	
Royalty		46,380	
Commissions expense		8,484	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	17,376	
Total		$ 130,004	

FARADAY TECHNOLOGY CORPORATION

19. STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wages and salaries		$ 149,528	
Insurance expense		12,166	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	62,550	
Total		$ 224,244	

FARADAY TECHNOLOGY CORPORATION

20. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Item	Summary	Amount	Note
Wages and salaries		$ 838,541	
Amortization		317,467	
Research and design expense		192,231	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	239,232	
Total		$ 1,587,471	

6. If the company or its affiliates have encountered financial difficulties in the most recent year and up to the date of publication of the annual report, the impact on the company's financial status: None

VII. Analysis of Financial Status and Performance and Risk Issues

1. Financial status analysis

Units: NTD$ Thousand

Account / Year	December 31 2020	December 31 2019	Difference	
			Amount	%
Current Assets	4,702,256	5,022,750	(320,494)	(6.38)
Funds and Investments	2,262,395	1248,219	1,014,176	81.25
Property, plant, and equipment	539,322	576,808	(37,486)	(6.50)
Right-of-use Assets	234,275	254,498	(20,223)	(7.95)
Intangible Assets	259,256	550,567	(291,311)	(52.91)
Other Assets	201,652	49,186	152,466	309.98
Total Assets	8,199,156	7,702,028	497,128	6.45
Current Liabilities	1,614,085	2,079,109	(465,024)	(22.37)
Non-current Liabilities	244,077	360,179	(116,102)	(32.23)
Total Liabilities	1,858,162	2,439,288	(581,126)	(23.82)
Capital	2,485,503	2,485,503	—	—
Additional Paid-in Capital	724,574	724,895	(321)	(0.04)
Retained Earnings	2,371,011	2,363,027	7,984	0.34
Other Equity	712,849	(369,709)	1,082,558	292.81
Treasury Stock	—	—	—	—
Non-controlling Interest	47,057	59,024	(11,967)	(20.27)
Total Equity	6,340,994	5,262,740	1,078,254	20.49

The major reasons for accounts with amount larger than NTD$ 10 million, and altered more than 20% are as below:

(1) Funds and Investments: Mainly due to the increase in the share of financial assets measured at fair value through other comprehensive gains and losses.

(2) Intangible Assets: Mainly due to continuous amortization.

(3) Increase in Other Assets: Mainly due to the purchase of Outsourcing IP.

(4) Total Liabilities: mainly due to the decrease in Accounts Payable-related parties, other Accounts Payable and long-term Accounts Payable

(5) Other Equity: Mainly due to the increase in the fair value of financial assets.

(6) Non-controlling Interest: Mainly due to the dilution of equity of the subsidiaries

(7) Total equity: Mainly due to the increase in Funds and Investments

2. Financial Performance Analysis

(i) Financial Performance Analysis

Units: NTD$ Thousand

Account \ Year	2020	2019	Difference Amount	Difference %
Net Sales Revenues	5,495,307	5,306,351	188,956	3.6
Operating Costs	(2,895,681)	(2,506,809)	(388,872)	15.5
Gross Profits	2,599,626	2,799,542	(199,916)	(7.1)
Operating Expenses	(2,450,514)	(2,401,242)	(49,272)	2.1
Operating Profits	149,112	398,300	(249,188)	(62.6)
Non-operating Income and Expenses	164,123	18,555	145,568	784.5
Income before Tax	313,235	416,855	(103,620)	(24.9)
Income Tax Expense	(57,238)	(80,610)	23,372	(29.0)
Net Income (Loss) from Continuing Operations	255,997	336,245	(80,248)	(23.9)
Net Income (Loss) from Discontinued Operations	0	0	0	0
Net Income	255,997	336,245	(80,248)	(23.9)
Other Comprehensive Income (Loss)	1,095,393	159,498	935,895	586.8
Total Comprehensive Income (Loss)	1,351,390	495,743	855,647	172.6

The major reasons for accounts with amount larger than NTD$ 10 million, and altered more than 20% are as below:

(1) Decrease in Operating Profit: Mainly due to the impact to product portfolio and the increase in the cost of outsourcing IP from advanced manufacturing processes. The decrease in Gross Profits is due to decrease in Operating Profits.

(2) Increase in Non-operating Income and Expenses: Mainly due to the sale of Fresco in Q2 of 2020 and the recognition of non-business investment interests.

(3) Decreases in Income before Tax and Net Income: Mainly due to the decrease in Operating Profits.

(4) Decrease in Income Tax Expenses: Mainly due to the decrease in Income before Tax.

（5）Increase in Other Comprehensive Income (Loss) and Total Comprehensive Income (Loss): Mainly due to the increase in the share of financial assets measured at fair value through Other Comprehensive Income (Loss)

(ii) Analysis of gross profit changes

Units: NTD$ Thousand

Gross profits	Variance from previous period	The reason for variance: Variance in sales price	Difference in cost price	Variance in sales mix	Difference in quantity
	(199,916)	(814,051)	297,407	(170,803)	487,531
Justification	Affected by fluctuation of exchange rate, the depreciation of the U.S. dollar has negatively affected the difference in selling prices, while the difference in cost prices has a positive effect. In addition, the increase in the number of MP sales in the current period has made a positive difference in quantity.				

3. Cash flow analysis

1.Analysis of Cash Flow Changes during Current Year

Units: NTD$ Thousand

Cash and cash equivalents at beginning of period a	Net cash provided by operating activities b	Cash outflow	Net cash surplus (deficit) a＋b-c	Solutions for net cash deficit	
				Investing projects	Financing projects
2,776,055	700,699	428,423	3,048,331	-	-

(1)Operating activities: majorly represents the cash inflow from operating revenues

(2)Investing activities: mainly represents the cash inflow from acquisition of intangible assets

(3)Financing activities: majorly represents the cash outflow by cash dividends

2. Solutions for net cash deficit and solvency analysis: not applicable.

3. Cash flow analysis for the following year

Units: NTD$ Thousand

Cash and cash equivalents at beginning of period a	(Forecasted) Net cash provided by operating activities b	(Forecasted) Net increase (decrease) in cash and cash equivalents c	(Forecasted) Net cash surplus (deficit) a＋b-c	Solutions for net cash deficit	
				Investing projects	Financing projects
3,048,331	490,449	213,074	3,325,706	-	-

4. Impact of major capital expenditures in the most recent year on financial operations: None

5. Main reasons for the reinvestment policy and profit or loss in the most recent year, improvement plan and investment plan for the next year

(i) The reinvestment policy in the most recent year: The Company does not exercise financial investments in order to avoid market risk. We focus on strategic investments relevant to our operating activities in order to reduce the risk, and improve the control and management toward invested companies.

(ii) The main reasons for profit or loss: As the company continues to deploy global R&D and marketing bases, some of the reinvested companies are still at a loss.

(iii) Improvement plan: the Company continues to cooperate with the invested companies in operations, in order to reduce the deficits

(iv) The investment plan for the next year: the investment plan for the next year will focus on the long-term growth of the Company, and majorly invest in IC design firms with synergy.

6. Analysis and assessment of risk issues in the most recent year and up to the date of publication of the annual report

(i) The future solutions and influence on the Company’s profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent year.

1. The influence on the Company’s profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent two years:

The Company possesses sufficient capital, and does not have to exercise long-term borrowing, so the impact of interest rate fluctuations to the Company’s short-term financing is limited. For foreign exchange rate, the Company employs accounting natural hedges, forward exchange, and foreign exchange swap to decrease the net asset position of foreign currency, along with the risk of foreign exchange fluctuations. The inflation during recent year does not cast material influence on the Company’s profits or loss.

2. The future solutions:

The company will continue to trace the fluctuations of foreign exchange rate, and exercise applicable solutions.

(ii) The major reasons and future solutions for high-risk, high-leverage investments, capital lending, endorsement, and financial derivatives’ trading policies, profits, or loss.

The Company does not exercise high-risk, high-leverage investments, neither capital lending nor endorsements. The Company has regulated capital lending process, endorsement process, and acquirement or disposal process of assets, as the principle for relevant matters. The Company utilizes natural hedges to reduce exchange loss.

(iii) The research and development plans, and expected investments in research and development in the future.

The significant research and development plans and forecasted investments in recent year

Project Name
1. Develop 22nm nm10/16G programmable SerDes PHY IP
2. Develop 22nm nmGigabit Ethernet, USB 3.x/2.0 and USB-PD physical layer IP
3. Develop Samsung 14nm nmFinFETF+ process memory physical layer and high-speed image transmission interface IPs
4. Develop 14nm FinFET ASIC platform solutions and expand the application fields of HPC, 5G networks, servers, edge computing, and high-end ASIC multimedia processing

The anticipated investments in aforementioned research and development projects for following two years are about NTD$ 2 billion.

(iv) The influence and solutions on the Company's financial operations by domestic and foreign significant policy and regulation changes.

The Company has exercised appropriate solutions against domestic and foreign policy and regulation changes, and the relevant changes do not significantly impact the Company's financial and operational situations.

(v) The influence and solutions of technology and industry changes on the Company's financial operations.

The Company has been devoting in research and development of advanced process technology from beginning, and invested NTD$ 1,854 million in relevant research and development in 2020, which will benefit the revenue growth in the future. Currently, the Company's financial situation is healthy, along with sufficient capital for the demand of development in technology in the future.

(vi) The influence and solutions of business image changes on corporate crisis management: None.

(vii) The anticipated benefits, risks, and solutions of merge and acquisition: None.

(viii) The anticipated benefits, risks, and solutions of expansion of factory buildings: None

(ix) The anticipated risks and solutions for concentration of stocking and sales.

There is no concentration of sales in the Company. For stocking, because the supplier is a critical shareholder with more than 10% of overall equity of Faraday Technology Corporation, and is also a famous wafer foundry in the world, the risk of stocking is considered low.

(x) The influence, risks, and solutions of significant equity transfer or changes by critical shareholders with more than 10% overall equity: None.

(xi) Influence, risks, and solutions of management right changes on the Company: Not applicable.

(xii) The Company's Directors, Supervisors, president, business owner, critical shareholders with more than 10% overall equity, and affiliates with significant litigation of final verdict or pendency, Non-contentious Cases, or administrative case that may materially influence stockholders' equity or stock prices, has to disclose the relevant fact in contention, amount, beginning date of litigation, major parties involved, and the progress by print date of the annual financial report: None.

(xiii) Other significant risks and solutions: None.

7. Other important matters: None

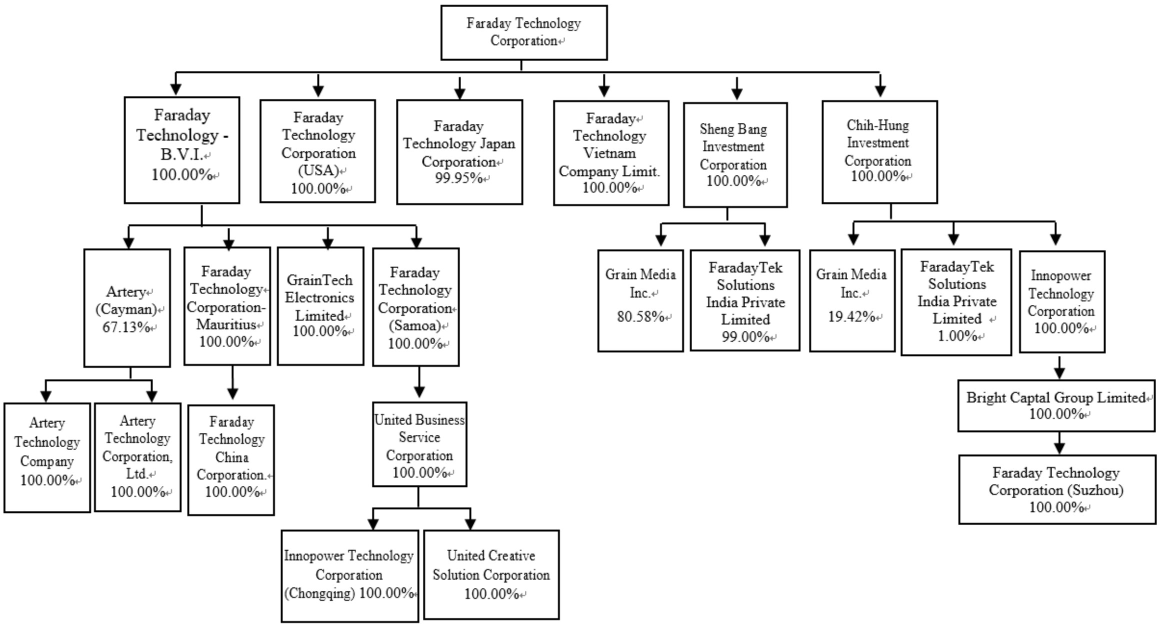
VIII. Special Items

1. Information on affiliates

(i) Consolidated operation report of affiliates

1. Brief of affiliates

(1) The organizational chart for affiliates



(2) Basic information for affiliates

March 31, 2021

Corporate Name	Established Date	Address	Contributed Capital	Major Business
Faraday Technology Corp. (USA)	1995.9.5	2860 Zanker Rd., Suite 101, San José, CA 95134	USD 13,058,000	The America sales representative for Faraday Technology Corporation
Faraday Technology Japan Corp.	2000.8.23	Tokyo Central Place Bldg. 3F, 22-6 Kabuto-cho, Nihonbashi Chuo-ku, Tokyo, 103-0026, Japan	¥ 100,000,000	The Japan sales representative for Faraday Technology Corporation
Faraday Technology- B.V.I.	2000.3.9	P.O. Box 3340, Road Town, Tortola, British Virgin Island	USD 25,340,585	Trading and investment
Faraday Technology Vietnam Company Limited	2019.4.4	R1201-1205, 12F, 195 Dien Bien Phu, District Binh Thanh, 700000, HCMC, VietNam	USD 300,000	IC design
Chi Hong Investment Corporation	2001.3.2	No.70, Shangyi St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 620,000,000	General investment
Sheng Bang Investment Corporation	2003.4.25	3F., No.1, Ln. 17, Minquan St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 222,020,000	General investment
Faraday Technology Corporation-Mauritius	2002.2.8	2F, Felix House, 24 Dr Joseph Riviere Street, Port Louis, Mauritius	USD 12,859,205	General investment
GrainTech Electronics Limited	2010.7.16	Units 3306-12, 33/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong	USD 100,000	Sales and after-sale service for IC products
Bright Capital Group Limited	2004.2.18	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 2,301,482	General investment
Grain Media Inc.	2005.12.12	8th Floor, No. 43, Shaonian Street, Hsinchu City, Taiwan (R.O.C.)	NTD 7,500,000	Sales and after-sale service for IC products

Corporate Name	Established Date	Address	Contributed Capital	Major Business
Innopower Technology Corporation	2008.8.18	5F., No.158, Sec. 1, Jiafeng 2nd St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 80,000,000	intellectual property product design
FaradayTek Solutions India Private Limited	2019.3.29	5th Floor, Cessna Business Park, Embassy Signet Kadubeesanhalli, Marathalli Outer Ring Road, Bangalore Bangalore KA 560103 IN	INR 10,000,000	IC design
Faraday Technology China Corporation	2001.3.27	Room 801, Yuanzhong Scientific Research Building, No.1905 Hongmei Rd., Shanghai, 200233, China	USD 6,000,000	Sales and after-sale service for IC products
Faraday Technology Corporation (Suzhou)	2007.8.10	C302, No.1355 JinJiHu Avenue, International Science &Technology Park, Suzhou Industrial Park, 215021, China	USD 5,800,000	Sales and after-sale service for IC products
Faraday Technology Corporation－Samoa	2015.8.20	Offshore Chambers, P.O. Box 217, Apia, Samoa.	USD 4,715,067	General investment
United Business Service Corporation (Chongqing)	2015.10.20	Floor 10, Building 1, Jinhui, Kangtian West, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	RMB 30,000,000	Sales and after-sale service for IC products
Artery Technology Corporation - Cayman	2016.03.15	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	USD 15,411,120	General investment
Artery Technology Corporation, Ltd. (Chongqing)	2016.06.20	Floor 9, Building 1, Jinhui, Kangtian West, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	USD 11,960,000	Sales and after-sale service for IC products
United Creative Solution Corporation(Shanghai)	2019.08.06	Room 111, Floor 1, Building 1, No. 2007 Hongmei Road, Xuhui District, Shanghai, China	RMB 5,000,000	Sales and after-sale service for IC products
Innopower Technology Corporation (Chongqing)	2019.07.16	No. 3, No. 27, Fengsheng Road, Jiulongpo District, Chongqing, China	RMB 1,000,000	Sales and after-sale service for IC products
Artery Technology Company	2016.12.12	No. 88 Weixin Street, Zhubei City, Hsinchu County	NTD 67,930,000	Sales and after-sale service for IC products

(3) The disclosure matters of controlling and subordinate relations by Art. 369-3, Company Act by the Republic of China: None

(4) The industries relates to overall affiliates’ operating businesses. If the operating businesses of affiliates are relevant to each other, the assignment of responsibilities must be illustrated:

The scope of business operations of the Company and its subsidiaries focus on IC design-related business, and a small number of affiliates include investment business in their business scope in order to strengthen vertical integration and strategic investment to meet the future operations of the Company.

(5) The equity or capital investments for affiliates by their directors, supervisors, and general managers:

March 31, 2021

<table>
<tr><th rowspan="2">Corporate Name</th><th rowspan="2">Title</th><th rowspan="2">Representative</th><th colspan="2">Acquired Equity</th></tr>
<tr><th>Shares of Stock
(Amount of investment)</th><th>Proportion</th></tr>
<tr><td>Faraday Technology Corp. (USA)</td><td>Director</td><td>Faraday Technology Corporation

Rep. : SHIH-CHIN, LIN</td><td>118,580,000 (common)
2,000,000(preferred)
-</td><td>100%
100%
-</td></tr>
<tr><td>Faraday Technology Japan Corp.</td><td>Director

Director
Supervisor</td><td>Faraday Technology Corporation
Rep.: SHIH-CHIN, LIN
KATO YUICHI
WEN-JU, TSENG</td><td>1,999 shares
-
-
-</td><td>99.95%
-
-
-</td></tr>
<tr><td>Faraday Technology - B.V. I</td><td>Director</td><td>Faraday Technology Corporation
Rep.: WEN-JU, TSENG</td><td>25,340,585 shares
-</td><td>100%
-</td></tr>
<tr><td>Faraday Technology - Vietnam Company Limited</td><td>Director</td><td>Faraday Technology Corporation

Rep.: KUN-CHENG, WU</td><td>Faraday invested USD300,000
-</td><td>100%

-</td></tr>
<tr><td>Chi Hong Investment Corporation</td><td>Director</td><td>Faraday Technology Corporation
Rep.: KUO-YUNG, WANG</td><td>62,000,000 shares</td><td>100%
-</td></tr>
<tr><td>Sheng Bang Investment Corporation</td><td>Director</td><td>Faraday Technology Corporation
Rep.: KUO-YUNG, WANG</td><td>22,202,000 shares
-</td><td>100%
-</td></tr>
<tr><td>Faraday Technology (Mauritius) Corp.</td><td>Director</td><td>Faraday Technology - B.V.I.
Rep.: WEN-JU, TSENG</td><td>12,804,214 shares
-</td><td>100%
-</td></tr>
<tr><td>GrainTech Electronics Limited</td><td>Director</td><td>Faraday Technology - B.V.I.
Rep.: JUNG-HSING, LAI</td><td>100,000 shares
-</td><td>100%
-</td></tr>
<tr><td>Bright Capital Group Limited-Samoa</td><td>Director</td><td>Innopower Technology Corporation
Rep.: WEN-JU, TSENG</td><td>2,301,482 shares
-</td><td>100%
-</td></tr>
<tr><td>Grain Media Inc.</td><td>Director

Supervisor</td><td>Chih-Hung Investment Corporation
Rep.: JUNG-HSING, LAI
Sheng Bang Investment Corporation
Rep.: WEN-JU, TSENG</td><td>146,000 shares
-

604,000 shares
-</td><td>19.47%
-

80.53%
-</td></tr>
<tr><td>Innopower Technology Corporation</td><td>Director</td><td>Chih-Hung Investment Corporation
Rep.: SHIH-CHIN, LIN</td><td>14,942,385 shares</td><td>100%
-</td></tr>
<tr><td>FaradayTek Solutions India Private Limited</td><td>Director

Director</td><td>Sheng Bang Investment Corporation
Rep.: SHIH-CHIN, LIN
Chih-Hung Investment Corporation
Rep.: YUVARAJ MAHADEVAN</td><td>990,000 shares
-
10,000 shares
-</td><td>99%
-
1%
-</td></tr>
<tr><td>Faraday Technology China Corporation</td><td>Director

Supervisor</td><td>Faraday Technology (Mauritius) Corp

Rep.: SHIH-CHIN, LIN/ JUN-SHAN, JU/ CHIEN-MING, CHEN
Rep.: WEN-JU, TSENG</td><td>Mauritius invested USD6,000,000
-

-</td><td>100%

-

-</td></tr>
<tr><td>Faraday Technology Corporation (Suzhou)</td><td>Director

Supervisor</td><td>Bright Capital Group Limited-Samoa

Rep.: CHIEN-MING, CHEN/ CHIEH-KAI, LIANG/ SHIH-CHIN, LIN
Rep.: WEN-JU, TSENG</td><td>BCGL-Samoa invested USD5,800,000
-

-</td><td>100%

-

-</td></tr>
<tr><td>Faraday Technology Corporation－Samoa</td><td>Director</td><td>Faraday Technology - B.V.I.
Rep.: WEN-JU, TSENG</td><td>4,715,067 shares
-</td><td>100%
-</td></tr>
<tr><td>United Business Service Corporation (Chongqing)</td><td>Director

Supervisor</td><td>Faraday Technology Corporation－Samoa

Rep.: KUO-YUNG, WANG/ SHIH-CHIN, LIN/ CHIEN-MING, CHEN
Rep.: WEN-JU, TSENG</td><td>Faraday-Samoa invested RMB30,000,000
-

-</td><td>100%

-

-</td></tr>
<tr><td>Artery Technology Corporation-Cayman</td><td>Director</td><td>Faraday Technology - B.V.I.
Rep.: CHIEN-MING, CHEN
KUO-YUNG, WANG
HUNG-YU, LIN
JUN-HSING, LAI
BO-JEN, SHEN</td><td>4,833,500 shares
60,000 shares
80,000 shares
50,500 shares
30,000 shares
-</td><td>67.13%
0.83%
1.11%
0.70%
0.42%
-</td></tr>
<tr><td>Artery Technology Corporation, Ltd.</td><td>Director</td><td>Artery Technology Corporation - Cayman</td><td>Artery-Cayman invested USD11,960,000</td><td>100%</td></tr>
</table>

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
(Chongqing)	 Supervisor	Rep.: KUO-YUNG, WANG/ CHIEN-MING, CHEN/ HUNG-YU, LIN/ JUN-HSING, LAI/ BO-JEN, SHEN Rep.: WEN-JU, TSENG	- -	- -
United Creative Solution Corporation(Shanghai)	Director Supervisor	United Business Service Corporation Rep.: JEN-SHAN, JU Rep.: WEN-JU, TSENG	United Business Service Corporation invested RMB5,000,000 - -	100% - -
Innopower Technology Corporation (Chongqing)	Director Supervisor	United Business Service Corporation Rep.: SHIH-CHIN, LIN Rep.: WEN-JU, TSENG	United Business Service Corporation invested RMB1,000,000 - -	100% - -
Artery Technology Company	Director	Artery Technology Corporation – Cayman Rep.: KUO-YUNG, WANG/ CHIEN-MING, CHEN/ HUNG-YU, LIN/ RONG-SHING, LAI/ BO-JEN, SHEN	6,792,995 shares -	100% -

2. Brief of Operations

March 31, 2021

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD$)
Faraday Technology Corp.(USA)	USD 13,058,000	USD 18,663,325	USD 4,182,088	USD 14,481,237	USD 5,274,962	USD (153,101)	USD (211,433)	–
Faraday Technology Japan Corp.	¥ 100,000,000	¥ 778,802,578	¥ 467,868,618	¥ 310,933,960	¥ 396,106,011	¥ (1,109,055)	¥ 7,467,380	–
Faraday Technology - B.V.I.	NTD 795,721,482	NTD 466,453,344	NTD 228,500	NTD 466,224,844	–	–	NTD 65,976,241	–
Chi Hong Investment Corporation	NTD 620,000,000	NTD 564,349,477	NTD 120,000	NTD 564,229,477	–	NTD (32,000)	NTD (11,621,470)	–
Sheng Bang Investment Corporation	NTD 222,020,000	NTD 197,179,297	NTD 92,000	NTD 197,087,297	–	NTD (12,000)	NTD 1,855,346	–
Faraday Technology (Mauritius) Corp.	NTD 406,711,929	NTD 111,295,892	–	NTD 111,295,892	–	–	NTD 43,623,936	–
GrainTech Electronics Limited	NTD 3,192,500	NTD 7,065,740	NTD 1,895,347	NTD 5,170,393	NTD 1,537,380	NTD 16,399	NTD 107,739	–
Bright Capital Group Limited-Samoa	NTD 68,593,066	NTD 214,776,590	–	NTD 214,776,590	–	–	NTD (22,476,831)	–
Grain Media Inc.	NTD 7,500,000	NTD 6,123,706	NTD 265,961	NTD 5,857,745	–	NTD (25,000)	NTD (24,854)	–
Innopower Technology Corporation	NTD 149,423,850	NTD 347,919,744	NTD 152,269,875	NTD 195,649,869	NTD 3,298,246	NTD 14,855,338	NTD (11,569,432)	–
Faraday Technology China Corporation	CNY 43,618,000.00	CNY 181,067,798.07	CNY 156,029,482.16	CNY 25,038,315.91	CNY 18,505,018.85	CNY 10,473,694.98	CNY 10,513,250.59	–
Faraday Technology Corporation (Suzhou)	CNY 39,863,870.00	CNY 72,125,716.79	CNY 22,672,275.16	CNY 49,453,441.63	CNY 6,796,861.44	CNY (10,213,969.61)	CNY (9,937,386.80)	–
Faraday Technology Corporation－Samoa	NTD 155,220,000	NTD 141,821,156	–	NTD 141,821,156	–	–	NTD 3,244,317	–
United Business	CNY 30,000,000.00	CNY 37,184,819.25	CNY 4,529,997.93	CNY 32,654,821.32	CNY 4,439,293.39	CNY 691,184.85	CNY 1,811,733.79	–

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD$)
Service Corporation (Chongqing)								
Artery Technology Corporation - Cayman	NTD 459,880,850	NTD 307,016,350	NTD 107,127	NTD 306,909,223	–	NTD (960,160)	NTD 28,244,255	–
Artery Technology Corporation, Ltd. (Chongqing)	CNY 81,311,212.00	CNY 66,677,430.35	CNY 10,459,787.93	CNY 56,217,642.42	CNY 30,205,640.18	CNY 7,243,117.43	CNY 7,405,678.99	–
Artery Technology Company	NTD 67,929,950	NTD 45,299,082	NTD 11,209,276	NTD 34,089,806	NTD 13,917,621	NTD (4,048,082)	NTD (4,034,505)	–
United Creative Solution Corporation (Shanghai)	CNY 5,000,000.00	CNY 74,540,411.24	CNY 67,815,375.32	CNY 6,725,035.92	CNY 34,143,085.23	CNY 1,449,007.20	CNY 771,228.99	-
Innopower Technology Corporation (Chongqing)	CNY 1,000,000.00	CNY 999,163.37	-	CNY 999,163.37	-	CNY (1,000.00)	CNY (850.28)	-
Faraday Technology Vietnam Company Limited	VNM 6,960,000,000	VNM 14,605,760,004	VNM 3,995,083,185	VNM 10,610,676,819	VNM 7,785,563,500	VNM 540,377,263	VNM 419,604,810	-
FaradayTek Solution India Private Limited	INR 10,000,000	INR 20,077,990	INR 5,658,337	INR 14,419,653	INR 11,839,896	INR (15,737,952)	INR (3,905,443)	-

(ii) Consolidated financial statements for affiliates

The Declaration

According to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" by the Republic of China, the affiliates included in the Company's consolidated financial statements as of January 1 to December 31, 2020, are in conformity with IFRS 10, and the relevant information that should be disclosed in consolidated financial statements of affiliates has all been disclosed in the aforementioned consolidated financial reports of the parent and subsidiary companies, so there will be no separated preparation of consolidated financial statements of affiliates.

Faraday Technology Corporation

Chairman: Chia-Tsung, Hung

February 23, 2021

2. Status of private equity securities processing in the most recent year and up to the date of publication of the annual report: None
3. Holdings or disposals of the company's stock by affiliates in the most recent year and up to the date of publication of the annual report: None
4. Other necessary supplementary notes: None
5. Any matters with significant impact on shareholders' equity or securities prices as stipulated in the second paragraph of item 3 of Article 36 of the Securities Trading Law in the most recent year and up to the date of publication of the annual report: None

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