

**Alchip Technologies, Limited and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Alchip Technologies, Limited

Opinion

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

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

Basis for Opinion

We conducted our audit 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 Auditor's 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 Certificate Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the opinion.

Key Audit Matters

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

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Impairment Assessment of Equipment

As described in Note 5 of the consolidated financial statements, when the equipment related to integrated circuit production has any indication of impairment, the Group evaluates impairment loss based on the recoverable amount of equipment (which is higher of its fair value less costs to sell or value-in-use). The recoverable amount, which is estimated based on the anticipation of the product life cycle, projected production volume, and market price, is subject to a risk of changes in relation to the assumptions that could result in additional or reversal of impairment loss. Consequently, the impairment assessment of equipment is deemed to be a key audit matter.

Our main audit procedures in respect to assessment thereof included the following:

1. Assessed the internal and external information the management used when assessing whether there is any indication of impairment;
2. Inspected the methodologies applied for the determination of the recoverable amount and the projected sales forecasts prepared by the management and evaluated the appropriateness of the impairment assessment performed by the management.

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

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

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

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

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

Our objectives are to obtain reasonable assurance on 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for 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 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 consolidated financial statements for the year ended December 31, 2020, and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Wen Wang and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

Notice to Readers

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

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 4,587,817	50	\$ 2,377,250	46
Financial assets at fair value through other comprehensive income (Note 7)	33,084	-	103,208	2
Financial assets at amortized cost (Note 8)	427,200	5	-	-
Accounts receivable, net (Note 10)	580,984	6	898,115	17
Other receivable	36,861	1	22,230	-
Inventories (Note 11)	947,774	10	581,577	11
Prepayments (Note 16)	1,050,042	12	82,871	2
Other current assets	29,678	-	42,996	1
Total current assets	7,693,440	84	4,108,247	79
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	320,483	4	354,372	7
Property, plants, and equipment (Note 13)	814,549	9	389,422	7
Right-of-use assets (Note 14)	107,554	1	110,085	2
Intangible assets (Note 15)	123,696	1	221,553	4
Deferred tax assets (Note 24)	37,290	1	26,400	1
Other non-current assets	15,968	-	14,987	-
Total non-current assets	1,419,540	16	1,116,819	21
TOTAL	\$ 9,112,980	100	\$ 5,225,066	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowing (Note 17)	\$ -	-	\$ 15,496	-
Contract liabilities (Note 22)	3,981,276	44	774,994	15
Accounts payable	367,512	4	415,035	8
Other payables (Note 18)	514,776	6	474,897	9
Current tax liabilities (Note 24)	222,040	2	44,984	1
Lease liabilities (Note 14)	41,914	-	37,692	1
Deferred revenue (Note 21)	598	-	43,951	1
Other current liabilities	3,275	-	8,617	-
Total current liabilities	5,131,391	56	1,815,666	35
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	776	-	12,209	-
Lease liabilities (Note 14)	71,904	1	73,689	1
Deferred revenue	20,667	-	21,757	1
Total non-current liabilities	93,347	1	107,655	2
Total liabilities	5,224,738	57	1,923,321	37
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 20)				
Share capital	620,285	7	606,129	12
Capital surplus	1,684,359	18	1,534,620	29
Retained earnings				
Special reserve	67,693	1	67,693	1
Unappropriated earnings	1,717,862	19	1,097,056	21
Total retained earnings	1,785,555	20	1,164,749	22
Other equity	(201,957)	(2)	(3,753)	-
Total equity	3,888,242	43	3,301,745	63
TOTAL	\$ 9,112,980	100	\$ 5,225,066	100

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of U.S. Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 161,089	50	\$ 79,295	46
Financial assets at fair value through other comprehensive income (Note 7)	1,162	-	3,443	2
Financial assets at amortized cost (Note 8)	15,000	5	-	-
Accounts receivable, net (Note 10)	20,400	6	29,957	17
Other receivable	1,294	1	742	-
Inventories (Note 11)	33,279	10	19,399	11
Prepayments (Note 16)	36,869	12	2,764	2
Other current assets	<u>1,042</u>	<u>-</u>	<u>1,433</u>	<u>1</u>
Total current assets	<u>270,135</u>	<u>84</u>	<u>137,033</u>	<u>79</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	11,253	4	11,820	7
Property, plants, and equipment (Note 13)	28,601	9	12,989	7
Right-of-use assets (Note 14)	3,776	1	3,672	2
Intangible assets (Note 15)	4,343	1	7,390	4
Deferred tax assets (Note 24)	1,309	1	881	1
Other non-current assets	<u>561</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total non-current assets	<u>49,843</u>	<u>16</u>	<u>37,252</u>	<u>21</u>
TOTAL	<u>\$ 319,978</u>	<u>100</u>	<u>\$ 174,285</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowing (Note 17)	\$ -	-	\$ 517	-
Contract liabilities (Note 22)	139,792	44	25,850	15
Accounts payable	12,904	4	13,844	8
Other payables (Note 18)	18,075	6	15,840	9
Current tax liabilities (Note 24)	7,796	2	1,500	1
Lease liabilities (Note 14)	1,472	-	1,257	1
Deferred revenue (Note 21)	21	-	1,466	1
Other current liabilities	<u>115</u>	<u>-</u>	<u>288</u>	<u>-</u>
Total current liabilities	<u>180,175</u>	<u>56</u>	<u>60,562</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	27	-	407	-
Lease liabilities (Note 14)	2,525	1	2,458	1
Deferred revenue	<u>726</u>	<u>-</u>	<u>726</u>	<u>1</u>
Total non-current liabilities	<u>3,278</u>	<u>1</u>	<u>3,591</u>	<u>2</u>
Total liabilities	<u>183,453</u>	<u>57</u>	<u>64,153</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 20)				
Share capital	<u>19,512</u>	<u>6</u>	<u>19,034</u>	<u>11</u>
Capital surplus	<u>54,397</u>	<u>17</u>	<u>49,324</u>	<u>28</u>
Retained earnings				
Special reserve	2,799	1	2,799	2
Unappropriated earnings	<u>59,222</u>	<u>19</u>	<u>38,183</u>	<u>22</u>
Total retained earnings	<u>62,021</u>	<u>20</u>	<u>40,982</u>	<u>24</u>
Other equity	<u>595</u>	<u>-</u>	<u>792</u>	<u>-</u>
Total equity	<u>136,525</u>	<u>43</u>	<u>110,132</u>	<u>63</u>
TOTAL	<u>\$ 319,978</u>	<u>100</u>	<u>\$ 174,285</u>	<u>100</u>

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars and U.S. Dollars, Except Earnings Per Share)

	2020			2019		
	US\$	NT\$	%	US\$	NT\$	%
OPERATING REVENUE (Note 22)	\$ 239,565	\$ 7,078,919	100	\$ 140,138	\$ 4,331,956	100
OPERATING COST (Notes 12 and 23)	<u>161,483</u>	<u>4,771,652</u>	<u>67</u>	<u>88,021</u>	<u>2,720,914</u>	<u>63</u>
GROSS PROFIT	<u>78,082</u>	<u>2,307,267</u>	<u>33</u>	<u>52,117</u>	<u>1,611,042</u>	<u>37</u>
OPERATING EXPENSES (Note 23)						
Selling and marketing expenses	5,029	148,607	2	4,468	138,114	3
General and administrative expenses	13,055	385,771	6	10,258	317,082	7
Research and development expenses	26,537	784,117	11	22,183	685,741	16
Expected credit losses impairment loss on trade receivable	<u>55</u>	<u>1,629</u>	<u>-</u>	<u>1,204</u>	<u>37,227</u>	<u>1</u>
Total operating expenses	<u>44,676</u>	<u>1,320,124</u>	<u>19</u>	<u>38,113</u>	<u>1,178,164</u>	<u>27</u>
INCOME FROM OPERATIONS	<u>33,406</u>	<u>987,143</u>	<u>14</u>	<u>14,004</u>	<u>432,878</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)						
Interest income(Note 21)	1,140	33,676	-	1,840	56,840	1
Other income	2,632	77,779	1	1,492	46,174	1
Other gains and losses	151	4,449	-	66	2,030	-
Finance costs	(134)	(3,954)	-	(146)	(4,516)	-
Expected credit losses	<u>(450)</u>	<u>(13,303)</u>	<u>-</u>	<u>(263)</u>	<u>(8,123)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,339</u>	<u>98,647</u>	<u>1</u>	<u>2,989</u>	<u>92,405</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	36,745	1,085,790	15	16,993	525,283	12
INCOME TAX EXPENSES (Note 24)	<u>8,490</u>	<u>250,873</u>	<u>3</u>	<u>2,969</u>	<u>91,771</u>	<u>2</u>
NET PROFIT	<u>28,255</u>	<u>834,917</u>	<u>12</u>	<u>14,024</u>	<u>433,512</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will not be reclassified subsequently to profit or loss:						
Exchange differences arising on translation to the presentation currency	-	(192,410)	(3)	-	(83,190)	(2)
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising from translating foreign operations	118	3,480	-	32	975	-
Unrealized gain (loss) loss on investments in debt instrument at fair value through other comprehensive income	<u>(315)</u>	<u>(9,274)</u>	<u>-</u>	<u>1,086</u>	<u>33,576</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(197)</u>	<u>(198,204)</u>	<u>(3)</u>	<u>1,118</u>	<u>(48,639)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 28,058</u>	<u>\$ 636,713</u>	<u>9</u>	<u>\$ 15,142</u>	<u>\$ 384,873</u>	<u>9</u>
NET INCOME ATTRIBUTABLE TO Shareholders of the Company	<u>\$ 28,255</u>	<u>\$ 834,917</u>	<u>12</u>	<u>\$ 14,024</u>	<u>\$ 433,512</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Shareholders of the Company	<u>\$ 28,058</u>	<u>\$ 636,713</u>	<u>9</u>	<u>\$ 15,142</u>	<u>\$ 384,873</u>	<u>9</u>
EARNINGS PER SHARE (Note 25)						
Basic earnings per share	<u>\$ 0.46</u>	<u>\$ 13.61</u>		<u>\$0.23</u>	<u>\$7.20</u>	
Diluted earnings per share	<u>\$ 0.43</u>	<u>\$ 12.64</u>		<u>\$0.22</u>	<u>\$6.89</u>	

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

	Share Capital	Share Premium	Capital Surplus		Special Reserve	Retained Earnings		Other Equity		Total Equity
			Share Options	Total		Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	\$ 597,731	\$ 1,376,724	\$ 79,636	\$ 1,456,360	\$ 67,693	\$ 754,229	\$ 821,922	\$ 49,699	\$ (4,813)	\$ 2,920,899
Appropriation of 2018 earnings										
Cash dividends	-	-	-	-	-	(90,685)	(90,685)	-	-	(90,685)
Share-based compensation	-	-	52,884	52,884	-	-	-	-	-	52,884
Issuance of ordinary shares under the employee share options	8,398	43,702	(18,326)	25,376	-	-	-	-	-	33,774
Net profit for the year ended December 31, 2019	-	-	-	-	-	433,512	433,512	-	-	433,512
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	-	(82,215)	33,576	(48,639)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	433,512	433,512	(82,215)	33,576	384,873
BALANCE AT DECEMBER 31, 2019	606,129	1,420,426	114,194	1,534,620	67,693	1,097,056	1,164,749	(32,516)	28,763	3,301,745
Appropriation of 2019 earnings										
Cash dividends	-	-	-	-	-	(214,111)	(214,111)	-	-	(214,111)
Share-based compensation	-	-	79,498	79,498	-	-	-	-	-	79,498
Issuance of ordinary shares under the employee share options	14,156	111,056	(40,815)	70,241	-	-	-	-	-	84,397
Net profit for the year ended December 31, 2020	-	-	-	-	-	834,917	834,917	-	-	834,917
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	(188,930)	(9,274)	(198,204)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	834,917	834,917	(188,930)	(9,274)	636,713
BALANCE AT DECEMBER 31, 2020	\$ 620,285	\$ 1,531,482	\$ 152,877	\$ 1,684,359	\$ 67,693	\$ 1,717,862	\$ 1,785,555	\$ (221,446)	\$ 19,489	\$ 3,888,242

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

(USD)CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of U.S. Dollars)

	Share Capital	Share Premium	Capital Surplus		Special Reserve	Retained Earnings		Other Equity		Total Equity
			Share Options	Total		Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	\$ 18,761	\$ 44,210	\$ 2,578	\$ 46,788	\$ 2,799	\$ 27,074	\$ 29,873	\$ (235)	\$ (91)	\$ 95,096
Appropriation of 2018 earnings										
Cash dividends	-	-	-	-	-	(2,915)	(2,915)	-	-	(2,915)
Share-based compensation	-	-	1,711	1,711	-	-	-	-	-	1,711
Issuance of ordinary shares under the employee share options	273	1,418	(593)	825	-	-	-	-	-	1,098
Net profit for the year ended December 31, 2019	-	-	-	-	-	14,024	14,024	-	-	14,024
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	-	32	1,086	1,118
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	14,024	14,024	32	1,086	15,142
BALANCE AT DECEMBER 31, 2019	19,034	45,628	3,696	49,324	2,799	38,183	40,982	(203)	995	110,132
Appropriation of 2019 earnings										
Cash dividends	-	-	-	-	-	(7,216)	(7,216)	-	-	(7,216)
Share-based compensation	-	-	2,690	2,690	-	-	-	-	-	2,690
Issuance of ordinary shares under the employee share options	478	3,720	(1,337)	2,383	-	-	-	-	-	2,861
Net profit for the year ended December 31, 2020	-	-	-	-	-	28,255	28,255	-	-	28,255
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	118	(315)	(197)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	28,255	28,255	118	(315)	28,058
BALANCE AT DECEMBER 31, 2020	<u>\$ 19,512</u>	<u>\$ 49,348</u>	<u>\$ 5,049</u>	<u>\$ 54,397</u>	<u>\$ 2,799</u>	<u>\$ 59,222</u>	<u>\$ 62,021</u>	<u>\$ (85)</u>	<u>\$ 680</u>	<u>\$ 136,525</u>

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

	2020		2019	
	US\$	NT\$	US\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 36,745	\$ 1,085,790	\$ 16,993	\$ 525,283
Adjustments for:				
Depreciation and amortization	36,996	1,093,182	30,045	928,748
Expected credit losses	505	14,932	1,467	45,350
Finance costs	134	3,954	146	4,516
Interest income	(1,140)	(33,676)	(1,840)	(56,840)
Share-based compensation	2,690	79,498	1,711	52,884
Loss (gain) on disposal of equipment	(98)	(2,887)	3	90
Net (gain) loss on disposal of financial assets	(120)	(3,560)	9	271
(Reversal of) write-down of inventories	1,511	44,661	(503)	(15,556)
Net (gain) loss on foreign currency exchange	194	5,817	(237)	(7,352)
Amortization of prepayments	3,865	114,197	3,246	100,327
Net changes in operating assets and liabilities				
Accounts receivable	9416	278,239	(9,289)	(287,130)
Other receivables	(646)	(19,099)	(351)	(10,846)
Inventories	(15,391)	(454,794)	(9,738)	(301,019)
Prepayments	(34,892)	(1,031,019)	(2,362)	(73,019)
Other current assets	391	11,586	(777)	(24,055)
Contract liabilities	113,942	3,366,870	15,530	480,063
Accounts payable	(878)	(25,972)	8,546	264,157
Other payables	5,637	166,571	4,292	132,664
Other current liabilities	(172)	(5,068)	227	7,023
Deferred revenue	(1,445)	(42,071)	149	4,600
Net cash generated from operations	157,244	4,646,521	57,267	1,770,159
Interest paid	(126)	(3,702)	(133)	(4,118)
Income tax paid	(3,001)	(88,729)	(3,291)	(101,662)
Net cash generated from operating activities	154,117	4,554,090	53,843	1,664,379
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of financial assets at fair value through other comprehensive income	(4,237)	(125,210)	(4,702)	(145,374)
Proceeds from sale of financial assets at fair value through other comprehensive income	6,405	189,319	1,232	38,068
Purchase of financial assets at amortized cost	(15,000)	(443,235)	(11,797)	(364,660)
Proceeds from sale of financial assets at amortized cost	-	-	31,384	970,139

(Continued)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

	2020		2019	
	US\$	NT\$	US\$	NT\$
Payments for property, plants, and equipment	(43,339)	(1,280,628)	(16,518)	(510,604)
Proceeds from disposal of property, plants, and equipment	158	4,658	-	6
Increase in refundable deposits	(69)	(2,063)	(5)	(154)
Payments for intangible assets	(11,252)	(332,481)	(11,420)	(352,973)
Interest received	<u>1,254</u>	<u>37,077</u>	<u>2,296</u>	<u>71,003</u>
Net cash used in investing activities	<u>(66,080)</u>	<u>(1,952,563)</u>	<u>(9,530)</u>	<u>(294,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase(decrease) in short-term borrowings	(529)	(15,626)	500	15,456
Repayment of the principal portion of lease liabilities	(1,430)	(42,265)	(1,132)	(34,991)
Dividend paid to share holder of the company	(7,216)	(214,111)	(2,915)	(90,685)
Proceeds from exercise of employee share options	<u>2,861</u>	<u>84,397</u>	<u>1,098</u>	<u>33,774</u>
Net cash used in financing activities	<u>(6,314)</u>	<u>(187,605)</u>	<u>(2,449)</u>	<u>(76,446)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES				
	<u>71</u>	<u>(203,355)</u>	<u>247</u>	<u>(58,247)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,794	2,210,567	42,111	1,235,137
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>79,295</u>	<u>2,377,250</u>	<u>37,184</u>	<u>1,142,113</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 161,089</u>	<u>\$ 4,587,817</u>	<u>\$ 79,295</u>	<u>\$ 2,377,250</u>

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

(Concluded)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of U.S. Dollars and New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Alchip Technologies, Limited (the Company) was incorporated in the Cayman Islands on February 27, 2003. The Company is mainly engaged in the research and development, design, and manufacture of fabless application specific integrated circuits (ASIC) and system on a chip (SOC) and the rendering of related services.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since October 28, 2014.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the Group) were approved by the Group's board of directors on March 56, 2021.

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

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

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

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

- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments are applicable to annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes of accounting estimate and accounting policies for annual reporting periods beginning on or after January 1, 2023.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Adjustments have been made to the financial statements of subsidiaries to bring their accounting policies to be consistent with those used by the Group. All intercompany transactions, balance, income and expenses are eliminated in full upon consolidation. For subsidiaries’ details, percentage of ownership, and main businesses and products, see Note 12, Table 5 and Table 6 to the consolidated financial statements.

Foreign Currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income. The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency are not subsequently reclassified to profit or loss.

Inventories

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

Property, Plant and Equipment

Property, plants, and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized based on the straight-line method. Each significant part is depreciated separately. The Group reviews the estimated useful lives, residual values, and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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

Intangible Assets

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

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying

amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis.

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

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

Financial Instruments

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

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

Financial assets

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

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

1. Financial assets at amortized cost

Financial assets that satisfy the following two conditions are measured at amortized cost:

- a) Financial assets are held within a business model whose objective is to collect contractual cash flows; and
- b) The contractual terms of financial assets give rise on specified dates that cash flows are solely payments of principal and interest on principal outstanding.

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

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

2. Investments in debt instruments at FVTOCI

Investments in debt instruments that satisfy the following two conditions are measured at FVTOCI:

- a) Financial assets are held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- b) The contractual terms of financial assets give rise on specified dates that cash flows are solely payments of principal and interest on principal outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed of.

3. Investments in equity instruments at FVTOCI

On initial recognition, the Group may irrevocably designate investments in equity investments that is not held for trading and non-contingent consideration of mergers and acquisitions as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. Disposal of the investments, the accumulated gains and losses transfer to retained earnings, not reclassify to profits and losses

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments measured at FVTOCI at the end of each reporting period.

The loss allowance for accounts receivable is measured at lifetime expected credit loss. For other financial assets, the Group recognizes lifetime expected credit losses when there have been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial assets have not increased significantly since initial recognition, the Group measures the loss allowance of the financial assets at an amount equal to 12-month expected credit losses.

Expected credit losses reflect the weighted average of credit loss with the respective risks of default occurring. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default

events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in the other comprehensive income and does not reduce the carrying amount of the financial assets.

Revenue Recognition

The Group identifies the contract performance obligations and recognizes revenue when all of the contract performance obligations are satisfied.

a. Revenue from sales of goods

Revenue from sale of goods is generated from sale of integrated circuit products. The Group recognizes revenue and accounts receivable when performance obligation is satisfied and promised goods are shipped or delivered to the customer's specified location depending on commercial terms, where customer obtains control of goods.

b. Revenue from non-recurring engineering (NRE) service

The Group provides NRE service which does not create an asset with alternative use, and the Group has an enforceable right to payment for the performance completed to date. Revenue is recognized based on the completion of the contract by the output method and milestone achieved.

Leases

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

a. The Group as the lessor

Lease income from operating leases is recognized on a straight-line basis over the lease term.

b. The Group as the lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in a rate used to determine those payments, the Group

remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Government Grants

Government grants are recognized when there is a reasonable assurance that the Group is able to comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable for the purpose of giving immediate financial support to The Group with no future related cost. Government grants whose primary condition is for The Group to purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue, and transferred to profit and loss on a systematic and rational basis over the useful lives of related assets.

Employee Benefits

a. Short-term employee benefits

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

b. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based Payment Arrangements

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

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

Taxation

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

a. Current tax

The Company and its subsidiaries accrue income tax payables (receivables) based on current incomes (losses) at the applicable statutory rates in accordance with the jurisdictions where the Company and its subsidiaries are located.

According to the Income Tax Act of the Republic of China, an additional tax at unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

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

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Equipment and Intangible Assets

The impairment of equipment and intangible assets in relation to the design and production of integrated circuits is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the life cycle, future production volumes and market price of integrated circuits will affect the recoverable amount of those assets and may lead to a recognition of additional or a reversal of impairment losses.

Impairment of Inventories

The net realizable value of inventory represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The estimation is determined based on market conditions and historical selling records of similar products, and the changes of market conditions may have significant effects on the net realizable value estimation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
<u>NT\$</u>		
Demand deposits	\$ 4,582,114	\$ 2,365,883
Checking accounts	5,301	10,985
Petty cash	<u>402</u>	<u>382</u>
	<u>\$ 4,587,817</u>	<u>\$ 2,377,250</u>
<u>US\$</u>		
Demand deposits	\$ 160,889	\$ 78,915
Checking accounts	186	366
Petty cash	<u>14</u>	<u>14</u>
	<u>\$ 161,089</u>	<u>\$ 79,295</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0.01%-0.35%	0.01%-1.90%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	December 31	
	2020	2019
<u>Current</u>		
<u>NT\$</u>		
Foreign bonds investments	<u>\$ 33,084</u>	<u>\$ 103,208</u>
<u>US\$</u>		
Foreign bonds investments	<u>\$ 1,162</u>	<u>\$ 3,443</u>
<u>Non-current</u>		
<u>NT\$</u>		
Foreign bonds investments	\$199,803	\$354,372
Foreign equity investments	<u>120,680</u>	<u>-</u>
	<u>\$320,483</u>	<u>\$354,372</u>
<u>US\$</u>		
Foreign bonds investments	\$ 7,016	\$ 11,820
Foreign equity investments	<u>4,237</u>	<u>-</u>
	<u>\$ 11,253</u>	<u>\$ 11,820</u>

The Group invested RMB27,707 thousands in KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund on December, 2020. The investment was designated as atFVTOCI due to its long term strategic investment purpose and resulted in the increase of NT\$120,680 thousand (US\$4,237 thousand) on foreign equity investment.

Refer to Note 9 for information on credit risk management and impairment assessment related to debt instruments at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
<u>NT\$</u>		
Time deposits with original maturities exceeding three months from the date of acquisition	<u>\$ 427,200</u>	<u>\$ -</u>
<u>Current</u>		
<u>US\$</u>		
Time deposits with original maturities exceeding three months from the date of acquisition	<u>\$ 15,000</u>	<u>\$ -</u>

Refer to Note 9 for information on credit risk management and impairment loss assessment related to financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT OF DEBT INSTRUMENTS

The investments in debt instrument were classified as at FVTOCI and financial assets as at amortized cost.

For the year ended December 31, 2020

	Financial Assets at FVTOCI		Financial Assets at Amortized Cost	
	NT\$	US\$	NT\$	US\$
Total Carrying Amount	\$ 279,534	\$ 9,816	\$ 427,200	\$ 15,000
Loss Allowance	<u>(66,068)</u>	<u>(2,320)</u>	<u>-</u>	<u>-</u>
Amortized Cost	213,466	7,496	<u>\$ 427,200</u>	<u>\$ 15,000</u>
Fair Value Adjustment	<u>19,421</u>	<u>682</u>		
	<u>\$ 232,887</u>	<u>\$ 8,178</u>		

For the year ended December 31, 2019

	Financial Assets at FVTOCI		Financial Assets at Amortized Cost	
	NT\$	US\$	NT\$	US\$
Total Carrying Amount	\$ 484,330	\$ 16,155	\$ -	\$ -
Loss Allowance	<u>(56,603)</u>	<u>(1,888)</u>	<u>-</u>	<u>-</u>
Amortized Cost	427,727	14,267	<u>\$ -</u>	<u>\$ -</u>
Fair Value Adjustment	<u>(29,853)</u>	<u>996</u>		
	<u>\$ 457,580</u>	<u>\$ 15,263</u>		

The credit rating information is supplied by an independent credit rating agency (CRA) in order to continuously track and supervise the credit risk change of the investments in debt instruments. At the same time, the Group reviews the information such as bond yield rate curve and debtors' information announced to assess whether the credit risk of investment in debt instruments has significantly increased since the initial recognition.

The Group considers the historical default rate each level provided by CRA, the current financial position, and its business outlook in order to measure the 12-month expected credit loss (ECL) or lifetime ECL of the debt instruments. The current credit risk rating mechanism used by the Group is as follows:

Credit Rating	Definition	Basis for Recognizing ECLs
Performing	The credit risk of debtor is low, and it has sufficient ability to repay the contractual cash flow, i.e., the Moody's rating is above Level B.	12-month ECL
Doubtful	The credit risk has significantly increased since the initial recognition, i.e., the Moody's rating has moved from above Level B to below Level B.	Lifetime ECL - not credit impaired
In default	There is evidence indicating the assets in credit impaired.	Lifetime ECL - credit impaired
Write-off	There is evidence indicating that the debtor is under severe financial difficulty and repayment cannot be reasonably expected.	Write-off

For the year ended December 31, 2020

Credit Rating	ECL Rate	Total Carrying Amount			
		Financial Assets at FVTOCI		Financial Assets at Amortized Cost	
		NT\$	US\$	NT\$	US\$
Performing	0%-2.04%	\$ 209,423	\$ 7,354	\$ 427,200	\$ 15,000
Doubtful	5.93%	5,665	199	-	-
In default	100%	64,446	2,263	-	-
Write-off	-	-	-	-	-

For the year ended December 31, 2019

Credit Rating	ECL Rate	Total Carrying Amount	
		Financial Assets at FVTOCI	
		NT\$	US\$
Performing	0.1%-2.06%	\$ 430,313	\$ 14,353
Doubtful	-	-	-
In default	100%	54,017	1,802
Write-off	-	-	-

Regarding the investments in debt instruments measured by FVTOCI and amortized cost, the loss allowance change information based on the credit risk rating is summarized as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In default (Lifetime ECLs - Credit- impaired)
NT\$			
Balance on January 1, 2020	\$ 2,586	\$ -	\$ 54,017
Transfers			
From performing to doubtful (a)	(411)	12,343	-
From doubtful to in default (a)	-	(12,168)	13,625
Derecognition	(544)	-	-
Risk Index Change	(395)	-	-
Exchange Rate and Other Changes	41	170	(3,196)
Balance on December 31, 2020	<u>\$ 1,277</u>	<u>\$ 345</u>	<u>\$ 64,446</u>
NT\$			
Balance on January 1, 2019	\$ 3,348	\$ -	\$ 46,741
Purchase of New Debt Instrument	1,379	-	-
Derecognition	(171)	-	-
Risk Index Change(b)	-	-	8,632
Exchange Rate and Other Changes	(1,970)	-	(1,356)
Balance on December 31, 2019	<u>\$ 2,586</u>	<u>\$ -</u>	<u>\$ 54,017</u>
US\$			
Balance on January 1, 2020	\$ 86	\$ -	\$ 1,802
Transfers			
From performing to doubtful (a)	(14)	417	-
From doubtful to in default (a)	-	(405)	461
Derecognition	(18)	-	-
Risk Index Change	(13)	-	-
Exchange Rate and Other Changes	4	-	-
Balance on December 31, 2020	<u>\$ 45</u>	<u>\$ 12</u>	<u>\$ 2,263</u>
US\$			
Balance on January 1, 2019	\$ 109	\$ -	\$ 1,522
Purchase of New Debt Instrument	45	-	-
Derecognition	(6)	-	-
Risk Index Change(b)	-	-	280
Exchange Rate and Other Changes	(62)	-	-
Balance on December 31, 2019	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 1,802</u>

- a. The rating of the bonds issued by Virgin Australia Holdings Ltd. fell below Level B in the second quarter of 2020, and the issuing company also announced debt restructuring; hence, the Group changed its credit rating from performing to doubtful. As a result, the allowance for impairment loss for doubtful credit rating increased by \$12,168 thousand (US\$405 thousand). Due to CRA stopped - providing credit rating information of Virgin Australia Holdings Ltd. and the issuing company suspended the interest payments in the fourth quarter of 2020, the Group changed its credit rating from doubtful to in default. As a result the allowance for impairment loss for in default credit rating increased by \$13,625 thousand (US\$461 thousand).
- b. For bonds issued by China Energy Reserve and Chemicals Group International Holding Limited, interest payments have been suspended since the first quarter of 2019 due to changes in the interest repayment plan; hence, the Group increased its ELC rate. As a result, the allowance for impairment loss for in default credit rating increased by \$8,632 thousand (US\$280 thousand) as a result.

10. ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
<u>NT\$</u>		
At amortized cost accounts receivable		
Gross carrying amount	\$ 620,815	\$ 938,391
Less: Allowance for impairment loss	<u>(39,831)</u>	<u>(40,276)</u>
	<u>\$580,984</u>	<u>\$ 898,115</u>

<u>US\$</u>		
At amortized cost accounts receivable		
Gross carrying amount	\$ 21,798	\$ 31,300
Less: Allowance for impairment loss	<u>(1,398)</u>	<u>(1,343)</u>
	<u>\$ 20,400</u>	<u>\$ 29,957</u>

The payment term granted to customers is from 7 days to 90 days. The Group grants credit periods based on customers' financial conditions and historical payment records. In addition, when necessary, customers are requested to make prepayments in order to reduce the risk of financial loss due to delay of payment.

The Group measures the allowance for accounts receivable by lifetime ELCs. The lifetime ELCs are estimated using a provision matrix prepared by reference to the past default records of the debtors and an analysis of each debtor's current financial position, adjusted for factors that are specific to the debtors and an assessment of all the gross domestic product growth rates, unemployment rates and industrial indicators at the reporting date. The Group determines expected credit loss ratios by the factors including payment terms, jurisdiction of customers and the status of public listing or nonpublic listing.

When there is an information indicating that the customer is in severe financial difficulty and the Group cannot reasonably estimate the recoverable amounts, the Group writes off accounts receivable. However, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging analysis for accounts receivable is as follows:

	December 31	
	2020	2019
<u>NT\$</u>		
0-60 days	\$582,652	\$ 649,064
61-120 days	-	188,514
More than and including 121 days	<u>38,163</u>	<u>100,813</u>
	<u>\$620,815</u>	<u>\$ 938,391</u>

	December 31	
	2020	2019
<u>US\$</u>		
0-60 days	\$ 20,458	\$ 21,650
61-120 days	-	6,288
More than and including 121 days	<u>1,340</u>	<u>3,362</u>
	<u>\$ 21,798</u>	<u>\$ 31,300</u>

The movements of the loss allowance for accounts receivable was as follows:

	For the Year Ended December 31	
	2020	2019
NT\$		
Balance at January 1	\$ 40,276	\$ 5,606
Less: Credit impairment losses	1,629	35,887
Foreign Exchange Gains and Losses	<u>(2,074)</u>	<u>(1,217)</u>
Balance at December 31	<u>\$ 39,831</u>	<u>\$ 40,276</u>
US\$		
Balance at January 1	\$ 1,343	\$ 182
Less: Credit impairment losses	<u>55</u>	<u>1,161</u>
Balance at December 31	<u>\$ 1,398</u>	<u>\$ 1,343</u>

11. INVENTORIES

	December 31	
	2020	2019
NT\$		
Finished products	\$ 49,447	\$ 91,077
Work in progress	896,281	482,923
Raw materials	<u>2,046</u>	<u>7,577</u>
	<u>\$947,774</u>	<u>\$581,577</u>
US\$		
Finished products	\$ 1,736	\$ 3,038
Work in progress	31,471	16,108
Raw materials	<u>72</u>	<u>253</u>
	<u>\$ 33,279</u>	<u>\$ 19,399</u>

The cost of integrated circuit recognized as cost of goods sold for the years ended December 31, 2020 and 2019 were NT\$3,840,160 thousand (US\$129,959 thousand) and NT\$1,967,680 thousand (US\$63,654 thousand), respectively.

The cost of goods sold included reversals of inventory write-downs of NT\$44,661 thousand (US\$1,511 thousand) and inventory write-downs of NT\$15,556 thousand (US\$503 thousand) for the years ended December 31, 2020 and 2019.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Nature of Business	Percentage of Ownership (%)		Description
			September 30, 2020	December 31, 2019	
The Company	Alchip Technologies, Limited (registered in Hong Kong) (referred to as "Alchip HK")	Investments	100	100	
	Alchip Technologies, Inc. (registered in the U.S.A.) (referred to as "Alchip USA")	Sales of ASIC and SOC.	100	100	
	Alchip Technologies, KK (registered in Japan) (referred to as "Alchip KK")	Sales of ASIC and SOC.	100	100	
	Alchip Technologies, Inc. (registered in Taiwan)	Provide ASIC and SOC services.	100	100	
	Alchip Investment, Inc. (registered in the British Virgin Islands) (referred to as "Alchip BVI")	Investments	100	100	
Alchip HK	Alchip Technologies (Shanghai) (registered in China) (referred to as "Alchip Shanghai")	Research and development, design, and sales of ASIC and SOC and rendering of related services.	100	100	
	Alchip Technologies (Wuxi) (registered in China) (referred to as "Alchip Wuxi")	Research and development and design of ASIC and SOC and rendering of related services.	100	100	
	Alchip Technologies (Hefei) (registered in China) (referred to as "Alchip Hefei")	Research and development and design of ASIC and SOC and rendering of related services.	100	100	
	Alchip Technologies Jinan (registered in China) (referred to as "Alchip Jinan")	Research and development and design of ASIC and SOC and rendering of related services.	100	100	
	Alchip Technologies (Guangzhou) (registered in China) (referred to as "Alchip Guangzhou")	Research and development, design, and sales of ASIC and SOC and rendering of related services.	100	-	Note

Note: Established in June 2020.

b. Subsidiaries excluded from the consolidated financial statements: None.

13. PROPERTY, PLANTS AND EQUIPMENT

	Machinery Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Transportation Equipment	Total
<u>NT\$</u>						
<u>Cost</u>						
Balance, January 1, 2019	\$ 2,411,733	\$ 142,144	\$ 17,799	\$ 36,734	\$ 6,975	\$ 2,615,385
Addition	521,336	12,940	674	-	-	534,950
Disposals	-	(1,342)	(288)	-	-	(1,630)
Effect of foreign currency exchange differences	(73,430)	(3,615)	(365)	(879)	(167)	(78,456)
Balance, December 31, 2019	<u>\$ 2,859,639</u>	<u>\$ 150,127</u>	<u>\$ 17,820</u>	<u>\$ 35,855</u>	<u>\$ 6,808</u>	<u>\$ 3,070,249</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2019	\$(2,170,102)	\$(96,600)	\$(9,498)	\$(19,746)	\$(2,603)	\$(2,298,549)
Depreciation expenses	(423,885)	(16,101)	(2,557)	(8,526)	(1,178)	(452,247)
Disposals	-	1,280	254	-	-	1,534
Effect of foreign currency exchange differences	64,710	2,626	272	729	98	68,435
Balance, December 31, 2019	<u>\$(2,529,277)</u>	<u>\$(108,795)</u>	<u>\$(11,529)</u>	<u>\$(27,543)</u>	<u>\$(3,683)</u>	<u>\$(2,680,827)</u>
Carrying amounts at December 31, 2019	<u>\$ 330,362</u>	<u>\$ 41,332</u>	<u>\$ 6,291</u>	<u>\$ 8,312</u>	<u>\$ 3,125</u>	<u>\$ 389,422</u>
<u>Cost</u>						
Balance, January 1, 2020	\$ 2,859,639	\$ 150,127	\$ 17,820	\$ 35,855	\$ 6,808	\$ 3,070,249
Addition	1,124,641	135,838	400	5,844	-	1,266,723
Disposals	(3,469)	(19,975)	-	-	-	(23,444)
Effect of foreign currency exchange differences	(183,637)	(11,266)	(668)	(2,005)	(341)	(197,917)
Balance, December 31, 2020	<u>\$ 3,797,174</u>	<u>\$ 254,724</u>	<u>\$ 17,552</u>	<u>\$ 39,694</u>	<u>\$ 6,467</u>	<u>\$ 4,115,611</u>

	Machinery Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Transportation Equipment	Total
<u>NT\$</u>						
<u>Accumulated depreciation</u>						
Balance, January 1, 2020	\$(2,529,277)	\$(108,795)	\$(11,529)	\$(27,543)	\$ (3,683)	\$ (2,680,827)
Depreciation expenses	(767,599)	(27,129)	(1,633)	(6,473)	(962)	(803,796)
Disposals	3,469	18,204	-	-	-	21,673
Effect of foreign currency exchange differences	<u>154,193</u>	<u>5,340</u>	<u>524</u>	<u>1,612</u>	<u>219</u>	<u>161,888</u>
Balance, December 31, 2020	<u>\$ (3,139,214)</u>	<u>\$(112,380)</u>	<u>\$(12,638)</u>	<u>\$ (32,404)</u>	<u>\$ (4,426)</u>	<u>\$ (3,301,062)</u>
Carrying amounts at December 31, 2020	<u>\$ 657,960</u>	<u>\$ 142,344</u>	<u>\$ 4,914</u>	<u>\$ 7,290</u>	<u>\$ 2,041</u>	<u>\$ 814,549</u>
<u>US\$</u>						
<u>Cost</u>						
Balance, January 1, 2019	\$ 78,520	\$ 4,627	\$ 579	\$ 1,196	\$ 227	\$ 85,149
Addition	16,865	419	22	-	-	17,306
Disposals	-	(43)	(9)	-	-	(52)
Effect of foreign currency exchange differences	<u>-</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>5</u>
Balance, December 31, 2019	<u>\$ 95,385</u>	<u>\$ 5,006</u>	<u>\$ 594</u>	<u>\$ 1,196</u>	<u>\$ 227</u>	<u>\$ 102,408</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2019	\$ (70,652)	\$ (3,145)	\$ (309)	\$ (643)	\$ (85)	\$ (74,834)
Depreciation expenses	(13,712)	(521)	(83)	(276)	(38)	(14,630)
Disposals	-	41	8	-	-	49
Effect of foreign currency exchange differences	<u>1</u>	<u>(4)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Balance, December 31, 2019	<u>\$ (84,363)</u>	<u>\$ (3,629)</u>	<u>\$ (385)</u>	<u>\$ (919)</u>	<u>\$ (123)</u>	<u>\$ (89,419)</u>
Carrying amounts at December 31, 2019	<u>\$ 11,022</u>	<u>\$ 1,377</u>	<u>\$ 209</u>	<u>\$ 277</u>	<u>\$ 104</u>	<u>\$ 12,989</u>
<u>Cost</u>						
Balance, January 1, 2020	\$ 95,385	\$ 5,006	\$ 594	\$ 1,196	\$ 227	\$ 102,408
Addition	38,060	4,597	14	198	-	42,869
Disposals	(117)	(676)	-	-	-	(793)
Effect of foreign currency exchange differences	<u>-</u>	<u>17</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>25</u>
Balance, December 31, 2020	<u>\$ 133,328</u>	<u>\$ 8,944</u>	<u>\$ 616</u>	<u>\$ 1,394</u>	<u>\$ 227</u>	<u>\$ 144,509</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2020	\$ (84,363)	\$ (3,629)	\$ (385)	\$ (919)	\$ (123)	\$ (89,419)
Depreciation expenses	(25,977)	(918)	(55)	(219)	(33)	(27,202)
Disposals	117	616	-	-	-	733
Effect of foreign currency exchange differences	<u>(2)</u>	<u>(15)</u>	<u>(4)</u>	<u>-</u>	<u>1</u>	<u>(20)</u>
Balance, December 31, 2020	<u>\$(110,225)</u>	<u>\$(3,946)</u>	<u>\$(444)</u>	<u>\$(1,138)</u>	<u>\$(155)</u>	<u>\$(115,908)</u>
Carrying amounts at December 31, 2020	<u>\$ 23,103</u>	<u>\$ 4,998</u>	<u>\$ 172</u>	<u>\$ 256</u>	<u>\$ 72</u>	<u>\$ 28,601</u>

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

Machinery equipment	1-5 years
Computer equipment	3-5 years
Office equipment	3-5 years
Leasehold improvements	1-5 years
Transportation equipment	5 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

		December 31			
		2020		2019	
		NT\$	US\$	NT\$	US\$
Carrying amount					
Buildings		\$ 107,554	\$ 3,776	\$ 109,923	\$ 3,667
Transportation equipment		-	-	162	5
		<u>\$ 107,554</u>	<u>\$ 3,776</u>	<u>\$ 110,085</u>	<u>\$ 3,672</u>
For the year ended December 31					
		2020		2019	
		NT\$	US\$	NT\$	US\$
Additions to right-of-use assets		<u>\$ 46,356</u>	<u>\$ 1,569</u>	<u>\$ 9,775</u>	<u>\$ 316</u>
Depreciation charge for right-of-use assets					
Buildings		\$ 40,256	\$ 1,362	\$ 37,365	\$ 1,209
Transportation equipment		<u>159</u>	<u>6</u>	<u>167</u>	<u>5</u>
		<u>\$ 40,415</u>	<u>\$ 1,368</u>	<u>\$ 37,532</u>	<u>\$ 1,214</u>

In addition to the aforementioned additions and recognized depreciation expenses, the Group did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2020 and 2019.

b. Lease liabilities

		December 31			
		2020		2019	
		NT\$	US\$	NT\$	US\$
Carrying amount					
Current		<u>\$ 41,914</u>	<u>\$ 1,472</u>	<u>\$ 37,692</u>	<u>\$ 1,257</u>
Non-current		<u>\$ 71,904</u>	<u>\$ 2,525</u>	<u>\$ 73,689</u>	<u>\$ 2,458</u>

Lease liabilities discount rate:

		December 31	
		2020	2019
Buildings		0.98%-5.50%	0.98%-5.50%
Transportation equipment		-	3.00%

c. Material lease-in activities and terms

The Group leases buildings for office use with lease terms of 2 to 10 years. The Group does not have purchase options to acquire the buildings at the end of the lease terms.

d. Other lease information

	December 31			
	2020		2019	
	NT\$	US\$	NT\$	US\$
Expenses relating to short-term leases	<u>\$ 13,007</u>	<u>\$ 440</u>	<u>\$ 11,254</u>	<u>\$ 364</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 62,969</u>	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash outflow for leases	<u>\$(121,943)</u>	<u>\$ (4,127)</u>	<u>\$(50,363)</u>	<u>\$ (1,629)</u>

15. INTANGIBLE ASSETS

	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>NT\$</u>			
<u>Cost</u>			
Balance, January 1, 2019	\$959,152	\$ 14,806	\$ 973,958
Additions	513,864	5,845	519,709
Disposals	793	-	(793)
Effect of Foreign Currency Exchange Differences	<u>(38,421)</u>	<u>(531)</u>	<u>(38,952)</u>
Balance, December 31, 2019	<u>\$1,433,802</u>	<u>\$ 20,120</u>	<u>\$ 1,453,922</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2019	\$(813,575)	\$ (13,624)	\$(827,199)
Amortization expense	(437,901)	(1,068)	(438,969)
Disposals	793	-	793
Effect of Foreign Currency Exchange Differences	<u>32,648</u>	<u>358</u>	<u>33,006</u>
Balance, December 31, 2019	<u>\$(1,218,035)</u>	<u>\$ (14,334)</u>	<u>\$ (1,232,369)</u>
Carrying amounts at December 31, 2019	<u>\$ 215,767</u>	<u>\$ 5,786</u>	<u>\$ 221,553</u>
<u>Cost</u>			
Balance, January 1, 2020	\$1,433,802	\$ 20,120	\$ 1,453,922
Additions	154,865	3,313	158,178
Disposals	-	-	-
Effect of Foreign Currency Exchange Differences	<u>(75,868)</u>	<u>(1,126)</u>	<u>(76,994)</u>
Balance, December 31, 2020	<u>\$1,512,799</u>	<u>\$ 22,307</u>	<u>\$ 1,535,106</u>

	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>NT\$</u>			
<u>Accumulated amortization</u>			
Balance, January 1, 2020	\$ (1,218,035)	\$ (14,334)	\$ (1,232,369)
Amortization expense	(246,007)	(2,964)	(248,971)
Disposals	-	-	-
Effect of Foreign Currency Exchange Differences	<u>69,105</u>	<u>825</u>	<u>69,930</u>
Balance, December 31, 2020	<u>\$(1,394,937)</u>	<u>\$ (16,473)</u>	<u>\$(1,411,410)</u>
Carrying amounts at December 31, 2020	<u>\$ 117,862</u>	<u>\$ 5,834</u>	<u>\$ 123,696</u>
<u>US\$</u>			
<u>Cost</u>			
Balance, January 1, 2019	\$ 31,229	\$ 481	\$ 31,710
Additions	16,624	189	16,813
Disposals	<u>(26)</u>	<u>-</u>	<u>(26)</u>
Balance, December 31, 2019	<u>\$ 47,827</u>	<u>\$ 670</u>	<u>\$ 48,497</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2019	\$ (26,488)	\$ (444)	\$ (26,932)
Amortization expense	(14,166)	(35)	(14,201)
Disposals	<u>26</u>	<u>-</u>	<u>26</u>
Balance, December 31, 2019	<u>\$(40,628)</u>	<u>\$ (479)</u>	<u>\$(41,107)</u>
Carrying amounts at December 31, 2019	<u>\$ 7,199</u>	<u>\$ 191</u>	<u>\$ 7,390</u>
<u>Cost</u>			
Balance, January 1, 2020	\$ 47,827	\$ 670	\$ 48,497
Additions	5,240	113	5,333
Disposals	-	-	-
Effect of Foreign Currency Exchange Differences	<u>51</u>	<u>-</u>	<u>51</u>
Balance, December 31, 2020	<u>\$ 53,118</u>	<u>\$ 783</u>	<u>\$ 53,901</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2020	\$ (40,628)	\$ (479)	\$ (41,107)
Amortization expense	(8,327)	(99)	(8,426)
Disposals	-	-	-
Effect of Foreign Currency Exchange Differences	<u>(25)</u>	<u>-</u>	<u>(25)</u>
Balance, December 31, 2020	<u>\$(48,980)</u>	<u>\$ (578)</u>	<u>\$(49,558)</u>
Carrying amounts at December 31, 2020	<u>\$ 4,138</u>	<u>\$ 205</u>	<u>\$ 4,343</u>

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Silicon intellectual property (SIP)	1-2 years
Software cost	3-5 years

16. PREPAYMENTS

	December 31	
	2020	2019
<u>NT\$</u>		
Prepayment for raw materials	\$ 864,211	\$ 9,242
Prepayment for SIP	111,395	28,353
Prepayment for electronic design automation (EDA) tools	61,276	31,932
Others	<u>13,160</u>	<u>13,344</u>
	<u>\$1,050,042</u>	<u>\$ 82,871</u>
	December 31	
	2020	2019
<u>US\$</u>		
Prepayment for raw materials	\$ 30,344	\$ 308
Prepayment for SIP	3,912	946
Prepayment for electronic design automation (EDA) tools	2,152	1,065
Others	<u>461</u>	<u>445</u>
	<u>\$ 36,869</u>	<u>\$ 2,764</u>

17. SHORT TERM BORROWING

Loans were financed from Morgan Stanley Asia International Limited, Singapore Branch with Open Fed Fund+110bps borrowing rate (the interest rate range was 2.23% to 3.44% in the first half of 2020). In addition, the net assets (bonds minus borrowing amount) held by the Group in the Morgan Stanley account must be higher than the minimum guarantee. The Group has repaid the entire loan in May 2020.

18. OTHER PAYABLES

	December 31	
	2020	2019
<u>NT\$</u>		
Payable for salaries and bonuses	\$ 316,594	\$ 201,427
Payable for SIP	87,779	180,338
Payable for professional services	25,401	6,564
Payable for sales tax	23,507	110
Payable for technical services	18,983	20,688
Payable for purchase of equipment	9,283	23,845
Others	<u>33,229</u>	<u>41,925</u>
	<u>\$514,776</u>	<u>\$474,897</u>

	December 31	
	2020	2019
<u>US\$</u>		
Payable for salaries and bonuses	\$ 11,116	\$ 6,719
Payable for SIP	3,082	6,015
Payable for professional services	892	219
Payable for sales tax	825	4
Payable for technical services	667	690
Payable for purchase of equipment	326	795
Others	<u>1,167</u>	<u>1,398</u>
	<u>\$ 18,075</u>	<u>\$ 15,840</u>

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousand)	<u>100,000</u>	<u>100,000</u>
Shares authorized (NT\$)	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousand)	<u>62,029</u>	<u>60,613</u>
Share amount issued		
NT\$	<u>\$ 620,285</u>	<u>\$ 606,129</u>
US\$	<u>\$ 19,512</u>	<u>\$ 19,034</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and right to dividends. The change in share capital was mainly due to the execution of employee share option.

b. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles of Incorporation, the Company's annual net income after tax shall offset its losses in previous years, then set aside a special reserve in accordance with the Applicable Public Company Rules of the Republic of China or as requested by the authorities in charge, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved in the shareholders' meeting for distribution of dividends to shareholders. For the policy on the distribution of employees' compensation and directors' remuneration specified in the Articles of Incorporation, refer to Note 23-(6) Employees' Compensation and Directors' Remuneration.

The Company's Articles of Incorporation also stipulate a dividend policy that distribution of retained earnings may proceed by way of cash or share dividends, but the cash dividend to be distributed shall be no lower than 10% of the aggregate dividend distributed to shareholders and no more than 100% of the aggregate dividend distributed to shareholders.

The appropriation of earnings for 2019 and 2018 was approved through the resolution of the ordinary shareholders' meeting on June 11, 2020 and June 21, 2019.

	2019			
	Appropriation of Earnings (In Thousand)		Dividends Per Share (In Dollar)	
	US\$	NT\$	US\$	NT\$
Cash Dividends	\$ 7,216	\$ 214,111	\$ 0.119	\$ 3.504

	2018			
	Appropriation of Earnings (In Thousand)		Dividends Per Share (In Dollar)	
	US\$	NT\$	US\$	NT\$
Cash Dividends	\$ 2,915	\$ 90,685	\$ 0.049	\$ 1.516

The appropriation of earnings for 2020 was proposed by Company's board of directors on March 5, 2021.

	2020			
	Appropriation of Earnings (In Thousand)		Dividends Per Share (In Dollar)	
	US\$	NT\$	US\$	NT\$
Cash Dividends	<u>\$ 16,810</u>	<u>\$ 474,717</u>	\$ 0.241	\$ 6.8
Special Reserve	<u>\$ 4,749</u>	<u>\$ 134,265</u>		

The appropriation of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 11, 2021.

c. Special reserve

Pursuant to existing regulations issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company shall set aside or reverse from a special reserve.

The increase in retained earnings that resulted from initial adoption IFRSs was NT\$63,380 thousand (US\$3,221 thousand). Special reserve from cumulative translation adjustments at the initial adoption of IFRSs was NT\$67,693 thousand (around US\$2,799 thousand). As of December 31, 2020, the amounts of the special reserve remained unchanged.

20. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company and Subsidiaries

According to the Company's employee share option plan, each option entitles the holder to subscribe for 1,000 ordinary shares of the Company. The qualified employee includes employees of the Company and its subsidiaries satisfying specific requirements. The option granted are valid for 10 years and 50% becomes vested after two years from the grant date, and one-fourth vested annually for subsequent years.

Information on employee share options as follows:

Employee Share Option	2020		2019	
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	6,205,391	\$ 77	5,963,413	\$ 66
Options granted	1,700,000	469	1,700,000	97
Options exercised	(1,415,531)	57	(839,834)	40
Options expired	<u>(79,100)</u>	106	<u>(618,188)</u>	64
Balance at December 31	<u>6,410,760</u>	185	<u>6,205,391</u>	77
Options exercisable, end of year	<u>1,925,185</u>	64	<u>1,763,391</u>	48
Weighted-average fair value of options granted (NT\$)	<u>\$248</u>		<u>\$50</u>	

The weighted-average exercise price in 2020 and 2019 are NT\$408 and NT\$128, respectively.

December 31			
2020		2019	
Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$25.0	5.87	\$25.0	6.87
37.2	5.18	37.2	6.18
41.1	6.19	41.1	7.19
56.5	4.32	56.5	5.32
74.4	8.39	74.4	9.39
75.1	8.22	75.1	9.22
76.8	6.93	76.8	7.93
83.2	6.91	77.8	0.19
87.4	7.73	83.2	7.92
95.4	7.11	87.4	8.73
95.7	8.61	95.4	8.11
97.7	7.02	95.7	9.61
117.7	7.25	97.7	8.02
121.6	7.61	117.7	8.25
123.6	7.30	121.6	8.62
185.5	8.86	123.6	8.30
206.0	8.90	185.5	9.86
208.0	9.14	206.0	9.90
269.0	9.33		
340.5	9.46		
595.6	9.59		
588.0	9.96		

Options granted in 2020 and 2019 were priced by Black-Scholes pricing model and the inputs to the model on each grant-date were as follows:

	December 15,2020	July 31,2002	June 15,2020	April 28,2020	February 18,2020
Grant-date share price (NT\$)	588	599	342.5	269	208
Exercise price (NT\$)	588	599	342.5	269	208
Expected volatility	57.02%-57.15%	56.14%	55.26%	55.68%	54.57%
Expected life (years)	6-7	6-7	6-7	6-7	6-7
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	0.22%-0.26%	0.38%-0.41%	0.42%-0.45%	0.45%-0.48%	0.55%-0.56%

	November 22, 2019	November 7, 2019	August 7, 2019	May 20, 2019	March 19, 2019
Grant-date share price (NT\$)	206	185.5	97.20	75.60	76.30
Exercise price (NT\$)	206	185.5	97.20	75.60	76.30
Expected volatility	54.05%	53.78%	53.45%	53.97%	54.35%
Expected life (years)	6-7	6-7	6-7	6-7	6-7
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	0.62%-0.64%	0.62%-0.65%	0.60%-0.62%	0.63%-0.66%	0.69%-0.72%

Compensation costs recognized was NT\$79,498 thousand (US\$2,690 thousand) and NT\$52,884 thousand (US\$1,711 thousand) for the years ended December 31, 2020 and 2019, respectively.

21. GOVERNMENT GRANTS

The Company's subsidiary, Alchip Hefei, entered into a financial support agreement related to the "Advanced SOC Chip Design and Service Platform" with Economic Development Office of the Hefei High-tech Industrial Development Park (the "Merchants") in April 2017. The development period specified in the Agreement is from January 2017 to December 2018. As stipulated in the Agreement, the RMB10,000 thousand grant is paid in advance but the amount is subject to subsequent assessment. The grant shall be returned with interests if the Merchant deems that Alchip Hefei does not achieve the performance indicators set out in the Agreement. The performance indicators set out in the agreement are as follows:

a. Investment projects

- 1) The amount invested in equipment shall amount to RMB20,000 thousand
- 2) The expenditure in R&D shall exceed RMB60,000 thousand during the development period.

b. Innovation output

The cumulative number of patent applications shall not be less than 6 for the year ended December 31, 2018.

The grant amounting to NT\$30,780 thousand (US\$1,042 thousand) was recognized as other income for the year ended December 31, 2020 due to the Merchant having performed the assessment and confirmed the final grant at RMB7,140 thousand.

22. REVENUE

a. Contract balance

The change in the contract liability balances was mainly due to the timing difference between the satisfaction of performance obligation and the customer's payment. The Group recognized NT\$674,748 thousand (US\$22,835 thousand) and NT\$232,865 thousand (US\$7,533 thousand) as revenue from the beginning balance of contract liability for the year ended of December 31, 2020 and 2019.

b. Revenue from contracts with customers

Cash Dividends	2020		2019	
	US\$	NT\$	US\$	NT\$
<u>Product</u>				
ASIC and chip production	\$ 6,903,529	\$ 233,630	\$ 4,314,253	\$ 139,566
Non-Recurring Engineering	169,578	5,739	13,372	433
Others	5,812	196	4,331	139
	<u>\$ 7,078,919</u>	<u>\$ 239,565</u>	<u>\$ 4,331,956</u>	<u>\$ 140,138</u>
<u>Geography</u>				
China	\$ 4,563,634	\$ 154,443	\$ 2,611,565	\$ 84,484
Japan	1,041,424	35,244	758,097	24,524
United States	672,600	22,762	644,164	20,839
Europe	505,645	17,112	53,608	1,734
Taiwan	290,651	9,836	260,117	8,415
Others	4,965	168	4,405	142
	<u>\$ 7,078,919</u>	<u>\$ 239,565</u>	<u>\$ 4,331,956</u>	<u>\$ 140,138</u>
<u>Application Type</u>				
High Performance Computing	\$ 5,401,830	\$ 182,809	\$ 2,590,962	\$ 83,817
Niche Market	781,809	26,458	796,781	25,776
Communication	592,184	20,041	558,504	18,067
Consumer	303,096	10,257	385,709	12,478
	<u>\$ 7,078,919</u>	<u>\$ 239,565</u>	<u>\$ 4,331,956</u>	<u>\$ 140,138</u>
<u>Resolution</u>				
6- nanometer	\$ 24,821	\$ 840	\$ -	\$ -
7- nanometer	1,917,140	64,880	860,374	27,833
12- nanometer	697,416	23,602	315,520	10,207
16- nanometer	3,006,316	101,740	1,427,610	46,183
28- nanometer	964,274	32,633	1,253,914	40,564
40- nanometer	329,709	11,158	264,483	8,556
Above 55- nanometer	125,617	4,251	205,445	6,646
Others	13,626	461	4,610	149
	<u>\$ 7,078,919</u>	<u>\$ 239,565</u>	<u>\$ 4,331,956</u>	<u>\$ 140,138</u>

23. NET PROFIT (LOSS)

Net profit (loss) included the following items:

a. Interest income

	2020	2019
<u>NT\$</u>		
Bank deposits	\$ 18,579	\$ 26,817
Investments in debt instruments at FVTOCI	13,154	23,067
Financial assets at amortized cost	1505	6,550
Others	<u>438</u>	<u>406</u>
	<u>\$33,676</u>	<u>\$ 56,840</u>
<u>US\$</u>		
Bank deposits	\$ 629	\$ 868
Investments in debt instruments at FVTOCI	445	746
Financial assets at amortized cost	51	212
Others	<u>15</u>	<u>14</u>
	<u>\$ 1,140</u>	<u>\$ 1,840</u>

b. Other gains and losses

	2020	2019
<u>NT\$</u>		
Net foreign exchange gains (losses)	\$ (1,259)	\$ 2,479
Gain(losses) on disposal of financial assets		
Investment in debt instrument at FVTOCI	3,560	(271)
Gain(losses) on disposal of equipment	2,887	(90)
Others	<u>(739)</u>	<u>(88)</u>
	<u>\$ 4,449</u>	<u>\$ 2,030</u>
<u>US\$</u>		
Net foreign exchange gains (losses)	\$ (42)	\$ 81
Gain(losses) on disposal of financial assets		
Investment in debt instrument at FVTOCI	120	(9)
Gain(losses) on disposal of equipment	98	(3)
Others	<u>(25)</u>	<u>(3)</u>
	<u>\$ 151</u>	<u>\$ 66</u>

c. Finance costs

	2020	2019
<u>NT\$</u>		
Interest on lease liabilities	\$ 3,702	\$ 4,118
Interest on short-term loan	<u>252</u>	<u>398</u>
	<u>\$ 3,954</u>	<u>\$ 4,516</u>
<u>US\$</u>		
Interest on lease liabilities	\$ 126	\$ 133
Interest on short-term loan	<u>8</u>	<u>13</u>
	<u>\$ 134</u>	<u>\$ 146</u>

d. Depreciation and amortization

	2020	2019
<u>NT\$</u>		
Property, plants, and equipment	\$ 803,796	\$ 452,247
Right-of-use asset	40,415	37,532
Intangible assets	<u>248,971</u>	<u>438,969</u>
	<u>\$1,093,182</u>	<u>\$ 928,748</u>
An analysis of depreciation by function		
Operating costs	\$ 767,304	\$ 421,823
Operating expenses	<u>76,907</u>	<u>67,956</u>
	<u>\$ 844,211</u>	<u>\$ 489,799</u>
An analysis of amortization by function		
Operating costs	\$ 246,104	\$ 437,980
Operating expenses	<u>2,867</u>	<u>989</u>
	<u>\$ 248,971</u>	<u>\$ 438,969</u>
<u>US\$</u>		
Property, plants, and equipment	\$ 27,202	\$ 14,630
Right-of-use asset	1,368	1,214
Intangible assets	<u>8,426</u>	<u>14,201</u>
	<u>\$ 36,996</u>	<u>\$ 30,045</u>
An analysis of depreciation by function		
Operating costs	\$ 25,967	\$ 13,646
Operating expenses	<u>2,603</u>	<u>2,198</u>
	<u>\$ 28,570</u>	<u>\$ 15,844</u>
An analysis of amortization by function		
Operating costs	\$ 8,329	\$ 14,169
Operating expenses	<u>97</u>	<u>32</u>
	<u>\$ 8,426</u>	<u>\$ 14,201</u>

e. Employee benefits expense

	2020	2019
<u>NT\$</u>		
Post-employment benefit		
Defined contribution plans	\$ 18,304	\$ 41,887
Share-based payments (Note 20)	79,498	52,884
Other employee benefits	<u>842,562</u>	<u>711,575</u>
	<u>\$940,094</u>	<u>\$806,346</u>

(Continued)

	2020	2019
An analysis of employee benefits expenses by function		
Operating costs	\$ 13,218	\$ 11,748
Operating expenses	<u>926,876</u>	<u>794,598</u>
	<u>\$940,094</u>	<u>\$806,346</u>
US\$		
Post-employment benefit		
Defined contribution plans	\$ 610	\$ 1,354
Share-based payments (Note 20)	2,690	1,711
Other employee benefits	<u>28,514</u>	<u>23,019</u>
	<u>\$ 31,814</u>	<u>\$ 26,084</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 447	\$ 379
Operating expenses	<u>31,367</u>	<u>25,705</u>
	<u>\$ 31,814</u>	<u>\$ 26,084</u>
		(Concluded)

f. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrues employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax prior to deducting the aforementioned compensation and remuneration. The employees' compensation and remuneration of directors for 2020 and 2019 approved by the Company's board of directors were as follows:

	2020	
	US\$	NT\$
Employees' compensation	\$ 3266	\$ 96,515
Remuneration of directors	<u>817</u>	<u>24,128</u>
	<u>\$ 4,083</u>	<u>\$ 120,643</u>
	2019	
	US\$	NT\$
Employees' compensation	\$ 1,510	\$ 46,692
Remuneration of directors	<u>378</u>	<u>11,673</u>
	<u>\$ 1,888</u>	<u>\$ 58,365</u>
Amount recognized in the annual consolidated statements	<u>\$ 1,888</u>	<u>\$ 58,365</u>
<u>Accrual rate</u>		
	December 31	
	2020	2019
Employees' compensation	8%	8%
Remuneration of directors	2%	2%

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the TWSE.

24. INCOME TAX

- a. Major components of tax expenses recognized in profit or loss were as follows:

	2020		2019	
	US\$	NT\$	US\$	NT\$
Current tax				
In respect of the current year	\$ 9,284	\$ 274,335	\$ 2,762	\$ 85,372
Adjustments for prior years	<u>14</u>	<u>435</u>	<u>(130)</u>	<u>(4,032)</u>
	<u>9,298</u>	<u>274,770</u>	<u>2,632</u>	<u>81,340</u>
Deferred tax				
In respect of the current year	(835)	(24,686)	337	10,431
tax rate change	<u>27</u>	<u>789</u>	<u>-</u>	<u>-</u>
	<u>(808)</u>	<u>(23,897)</u>	<u>337</u>	<u>10,431</u>
Income tax expense recognized in profit or loss	<u>\$ 8,490</u>	<u>\$ 250,873</u>	<u>\$ 2,969</u>	<u>\$ 91,771</u>

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

	2020		2019	
	US\$	NT\$	US\$	NT\$
Profit before tax from continuing operations	\$ 36,745	\$ 1,085,790	\$ 16,993	\$ 525,283
Income tax expense calculated at the statutory rate	8,615	254,559	3,050	94,284
Permanent differences	(637)	(18,820)	(117)	(3,608)
Unrecognized loss carryforwards and temporary differences	471	13,910	166	5,127
Adjustments for prior years	<u>41</u>	<u>1,224</u>	<u>(130)</u>	<u>(4,032)</u>
Income tax expense recognized in profit or loss	<u>\$ 8,490</u>	<u>\$ 250,873</u>	<u>\$ 2,969</u>	<u>\$ 91,771</u>

The income tax rate was 20% and the rate of unappropriated earnings was 5% used by the Group's subsidiary located in Taiwan according to the Income Tax Acts of the Republic of China. The tax rate for subsidiary located in China, Alchip Shanghai is entitled to a preferential tax rate for Chinese high-tech enterprises of 15% from 2019 to 2021, other China subsidiaries have enjoyed exemption from income taxation for the first two years and half reduction for the following three years. The applicable tax rate used by the Group's subsidiary located in Japan was approximately 37%.

b. Deferred tax assets and liabilities

The movements of deferred tax assets were as follows:

For the year ended December 31, 2020

NT\$

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventory	\$ 11,147	\$ 8,932	\$ (881)	\$ 19,198
Intangible assets	-	6,126	(221)	5,905
Unrealized exchange gain or loss	<u>2,068</u>	<u>2,395</u>	<u>(190)</u>	<u>4,273</u>
	13,215	17,453	(1,292)	29,376
Tax losses	<u>13,185</u>	<u>(4,785)</u>	<u>(486)</u>	<u>7914</u>
	<u>\$ 26,400</u>	<u>\$ 12,668</u>	<u>\$ (1,778)</u>	<u>\$ 37,290</u>

Deferred Tax Liabilities

Temporary differences				
Intangible assets	<u>\$ 12,209</u>	<u>(\$ 11,229)</u>	<u>(\$ 204)</u>	<u>\$ 776</u>

US\$

Deferred Tax Assets

Temporary differences				
Unrealized loss on inventory	\$ 372	\$ 302	\$ -	\$ 674
Intangible assets	-	207	-	207
Unrealized exchange gain or loss	<u>69</u>	<u>81</u>	<u>-</u>	<u>150</u>
	441	590	-	1031
Tax losses	<u>440</u>	<u>(162)</u>	<u>-</u>	<u>278</u>
	<u>\$ 881</u>	<u>\$ 428</u>	<u>\$ -</u>	<u>\$ 1,309</u>

Deferred Tax Liabilities

Temporary differences				
Intangible assets	<u>\$ 407</u>	<u>\$ (380)</u>	<u>\$ -</u>	<u>\$ 27</u>

For the year ended December 31, 2019

NT\$

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventory	\$ 14,152	\$ (3,111)	\$ (254)	\$ 11,147
Unrealized exchange gain or loss	<u>385</u>	<u>1,745</u>	<u>(62)</u>	<u>2,068</u>
	14,897	(1,366)	(316)	13,215
Tax losses	<u>19,992</u>	<u>(6,527)</u>	<u>(280)</u>	<u>13,185</u>
	<u>\$ 34,889</u>	<u>\$ (7,893)</u>	<u>\$ (596)</u>	<u>\$ 26,400</u>

Deferred Tax Liabilities

Temporary differences				
Intangible assets	<u>\$ 9,986</u>	<u>\$ 2,538</u>	<u>\$ (315)</u>	<u>\$ 12,209</u>

US\$

Deferred Tax Assets

Temporary differences				
Unrealized loss on inventory	\$ 472	\$ (100)	\$ -	\$ 372
Unrealized exchange gain or loss	<u>13</u>	<u>56</u>	<u>-</u>	<u>69</u>
	485	(44)	-	441
Tax losses	<u>651</u>	<u>(211)</u>	<u>-</u>	<u>440</u>
	<u>\$ 1,136</u>	<u>\$ (255)</u>	<u>\$ -</u>	<u>\$ 881</u>

Deferred Tax Liabilities

Temporary differences				
Intangible assets	<u>\$ 325</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 407</u>

c. Income tax assessments

Tax returns of Alchip Technologies Inc. and Alchip Taiwan Branch through 2018 have been assessed by the tax authorities, and there is no significant difference between the assessment results and the income tax returns filed.

25. EARNINGS PER SHARE

	Unit: US\$/NT\$ Per Share			
	2020		2019	
	US\$	NT\$	US\$	NT\$
Basic earnings per share in profit or loss	\$ 0.46	\$ 13.61	\$ 0.23	\$ 7.20
Diluted earnings per share	\$ 0.43	\$ 12.64	\$ 0.22	\$ 6.89

The information used for the computation of earnings per share is as follows:

	2020		2019	
	US\$	NT\$	US\$	NT\$
Profit for the period attributable to owners of the Company	\$ 28,255	\$ 834,917	\$ 14,024	\$ 433,512
Earnings used in the computation of basic and diluted earnings per share	\$ 28,255	\$ 834,917	\$ 14,024	\$ 433,512

	Unit: Thousand Shares	
	2020	2019
<u>Number of shares</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	61,340	60,176
Effect of potentially dilutive ordinary shares:		
Employee share option	4,546	2,477
Employees' compensation or bonus issue to employees	184	267
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>66,070</u>	<u>62,920</u>

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

26. CASH FLOW INFORMATION

Non-cash Transactions

	December 31			
	2020		2019	
	US\$	NT\$	US\$	NT\$
Additions of property, plant and equipment	\$ 42,869	\$ 1,266,723	\$ 7,306	\$ 534,950
Changes in payments for equipment	469	14,562	(789)	(23,639)
Changes in payments for leases	1	34	1	31
Effect of Foreign Currency Exchange Differences	-	(691)	-	(738)
Payments for property, plant and equipment	<u>\$ 43,339</u>	<u>\$ 1,280,628</u>	<u>\$ 16,518</u>	<u>\$ 510,604</u>
Additions of intangible assets	\$ 5,353	\$ 158,178	\$ 16,813	\$ 519,709
Changes in prepayments for intangible assets	2,966	83,042	(419)	(13,572)
Changes in other payables	2,933	92,559	(4,974)	(148,374)
Effect of Foreign Currency Exchange Differences	-	(1,298)	-	(4,779)
Payments for intangible assets	<u>\$ 11,252</u>	<u>\$ 332,481</u>	<u>\$ 11,420</u>	<u>\$ 352,984</u>

27. CAPITAL MANAGEMENT

The Group is a fabless application specific circuit provider and expects significant capital expenditure on the purchase of machinery equipment and SIP now and in the near future. Accordingly, the Group's objective is to maintain necessary operating capital, the availability of funds for research and development, the capacity to pay dividends, etc. The Group continuously evaluates the policy of capital management with a conservative attitude.

28. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate their fair values. Accordingly, the Group takes the carrying amount of those financial assets and liabilities as the basis for evaluating the fair value.

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

1) Fair value hierarchy

The Group's financial instruments measured at fair value are financial assets at FVTOCI. Based on the extent that fair value can be observed, the fair value measurements of debt instruments and equity instruments are grouped into Level 2 and Level 3, respectively. Accordingly, the Group takes the carrying amount of these financial assets and liabilities as the basis for evaluating the fair value.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Foreign bonds investment	Adjusted integration of quoted prices or settlement prices from stock exchange market participants for each corporate bond.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of private foreign equity investments are mainly determined by the latest net worth of investee and the financial and operating information of observable companies.

There were no transfers of fair value measurements between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

c. Categories of financial instrument

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>NT\$</u>		
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$5,646,538	\$3,310,165
Financial assets at FVTOCI		
Debt instrument	232,887	457,580
Equity instrument	120,680	-
<u>Financial liabilities</u>		
Amortized cost (Note 2)	542,187	703,891
<u>US\$</u>		
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 198,264	\$ 110,413
Financial assets at FVTOCI		
Debt instrument	8,178	15,263
Equity instrument	4,237	-
<u>Financial liabilities</u>		
Amortized cost (Note 2)	19,038	23,478

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, and other receivable.

Note 2: The balances include financial liabilities at amortized cost, which comprise of short-term loans, accounts payable and other payable.

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Exchange rate risk

The Group uses USD and JPY as the functional currency, and mainly possesses a small amount of NTD and RMB, etc. for the payment of employee salaries and operating expenses of each subsidiary (branch); therefore, there is no material exchange rate fluctuation risk. Since the Company is listed for trading on the Taiwan Stock Exchange, it can be expected that in the future, when dividends are issued to domestic investors in NTD or when funds are raised domestically in NTD such that the amount needs to be exchanged to USD for use, there is an exchange rate risk in the exchange of TWD to USD, and the possible responsive measures adopted by the financial department of the Group are as follows:

- i. The Group maintains an adequate level of foreign currency reserve based on predicted exchange rate to provide for subsidiaries' operating activities and to lessen the impact on adverse exchange fluctuations to the net income;
- ii. The Group continuously monitors exchange rate fluctuations and maintaining close relationships with principal correspondent banks to provide management with sufficient information as a basis for managing exchange rate fluctuations;
- iii. The Group reduces the impact of adverse exchange rate fluctuations on the Group's net income by using natural write off (i.e. a majority of sales and purchase transactions are denominated in USD) and by using foreign currency loans or forward exchange contracts when needed.

Refer to Note 31 for the carrying amounts of monetary assets and liabilities not denominated in functional currency at the end of the reporting period.

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuation in RMB and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD and JPY (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates in pre-tax profit and other equity associated with USD and JPY strengthening 5% against the relevant currency. For a 5% weakening of the USD and JPY against the relevant currency, there will be an equal and opposite impact on pre-tax profit and other equity, and the balances below will be negative.

Unit: In Thousands of U.S. Dollars

	Impact of RMB		Impact of USD		Impact of NTD	
	2020	2019	2020	2019	2020	2019
Profit/loss	\$ 945	\$ 40	\$ 128	\$ 316	\$ (14)	\$ (58)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrows funds at floating interest rate. The carrying amounts of the s financial assets and liabilities with exposure to interest rates at the end of reporting period were as follows:

	December 31	
	2020	2019
<u>NT\$</u>		
Fair value interest rate risk		
Financial assets	\$ 781,073	\$ 457,885
Financial liabilities	113,818	111,381
Cash flow interest rate risk		
Financial assets	4,582,114	2,365,883
Financial liabilities	-	15,496
<u>US\$</u>		
Fair value interest rate risk		
Financial assets	\$ 27,426	\$ 15,273
Financial liabilities	3,997	3,715
Cash flow interest rate risk		
Financial assets	160,889	78,915
Financial liabilities	-	517

The Group was exposed to cash flow interest rate risk in relation to variable-rate financial institutions borrowings until May 2020. The cash flow interest rate risk was mainly concentrated in the fluctuation of the Open Fed Fund rate.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by NT\$11,455 thousand (US\$402 thousand) and increased/decreased by NT\$5,876 thousand (US\$196 thousand), respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation.

The Group adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the finance department periodically.

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk of 13% and 26% of total accounts receivable as of December 31, 2020 and December 31, 2019, respectively, was related to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The interest recognition is not material.

	December 31, 2020											
	Less than 1 Month	1 to 3 Months	3 Months to 1 Year		1-5 Years	More than 5 Years	Less than 1 Month	1 to 3 Months	3 Months to 1 Year		1-5 Years	More than 5 Years
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	US\$	US\$	US\$	US\$	US\$
Non-derivative financial liabilities												
Accounts payable	\$ 220,522	\$ 146,990	\$ -	\$ -	\$ -	\$ 7,743	\$ 5,161	\$ -	\$ -	\$ -	\$ -	\$ -
Other payables	166,596	8,079	-	-	-	5,850	284	-	-	-	-	-
Lease liabilities	3,686	7,372	33,174	56,234	17,710	129	259	1,164	1,974	621		
	<u>\$ 390,804</u>	<u>\$ 162,441</u>	<u>\$ 33,174</u>	<u>\$ 56,234</u>	<u>\$ 17,710</u>	<u>\$ 13,722</u>	<u>\$ 5,704</u>	<u>\$ 1,164</u>	<u>\$ 1,974</u>	<u>\$ 621</u>		

	December 31, 2019									
	Less than 1 Month	1 to 3 Months	3 Months to 1 Year		1-5 Years	Less than 1 Month	1 to 3 Months	3 Months to 1 Year		1-5 Years
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	US\$	US\$	US\$	US\$
Non-derivative financial liabilities										
Accounts payable	\$ 270,842	\$ 144,193	\$ -	\$ -	\$ -	\$ 9,034	\$ 4,810	\$ -	\$ -	\$ -
Other payables	264,733	8,627	-	-	-	8,830	287	-	-	-
Lease liabilities	3,424	6,848	30,816	76,304		114	228	1,028		2,545
Variable interest rate liabilities	-	-	15,496	-	-	-	-	517	-	-
	<u>\$ 538,999</u>	<u>\$ 159,668</u>	<u>\$ 46,312</u>	<u>\$ 76,304</u>	<u>\$ 17,978</u>	<u>\$ 5,325</u>	<u>\$ 1,545</u>	<u>\$ 1,545</u>	<u>\$ 2,545</u>	

b) Financing facilities

		December 31	
		2020	2019
<u>NT\$</u>			
Secured bank loan facilities:			
Amount used		\$ -	\$ 15,496
Amount unused		<u>712,000</u>	<u>734,004</u>
		<u>\$ 712,000</u>	<u>\$ 749,500</u>
<u>US\$</u>			
Secured bank loan facilities:			
Amount used		\$ -	\$ 517
Amount unused		<u>25,000</u>	<u>24,483</u>
		<u>\$ 25,000</u>	<u>\$ 25,000</u>

For the restriction conditions of the borrowings described above, refer to Note 17.

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of directors and key management personnel is as follows.

	2020	2019
<u>NT\$</u>		
Other employee benefits	\$169,387	\$ 122,853
Share-based payments	22,075	16,247
Post-employment benefits	<u>685</u>	<u>822</u>
	<u>\$ 192,147</u>	<u>\$ 139,922</u>
<u>US\$</u>		
Other employee benefits	\$ 5,733	\$ 3,973
Share-based payments	747	526
Post-employment benefits	<u>23</u>	<u>27</u>
	<u>\$ 6,503</u>	<u>\$ 4,526</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

30. SIGNIFICANT SUBSEQUENT EVENTS

On December 18, 2020, the extraordinary shareholders meeting of the Company resolved to issue 7,600,000 new common shares to be offered in the form of global depository receipts (GDR) for raising funds to purchase equipment. Each GDR represents one common share of the Company with offering price at US\$25.73 per unit and the total proceeds from the offering were US\$195,548 thousand. This GDR was listed in Luxembourg Exchange on January 20, 2021.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

For the year ended December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial assets</u>			
Monetary items			
RMB	\$ 149,942	0.153259 (RMB:USD)	\$ 22,980
USD	7,146	103.071532 (USD:JPY)	7,146
NTD	41,695	0.035112 (NTD:USD)	<u>1,464</u>
			<u>\$ 31,590</u>

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial liabilities</u>			
Monetary items			
RMB	26,687	0.153259 (RMB:USD)	\$ 4,090
USD	4,577	103.071532 (USD:JPY)	4,577
NTD	49,813	0.035112 (NTD:USD)	<u>1,749</u>
			<u>\$ 10,416</u>

For the year ended December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial assets</u>			
Monetary items			
RMB	\$ 23,975	0.143345 (RMB:USD)	\$ 3,437
USD	8,346	108.624810 (USD:JPY)	8,346
NTD	13,977	0.033356 (NTD:USD)	<u>466</u>
			<u>\$ 12,249</u>

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial liabilities</u>			
Monetary items			
RMB	18,339	0.143345 (RMB:USD)	\$ 2,629
USD	2,036	108.624810 (USD:JPY)	2,036
NTD	48,862	0.033356 (NTD:USD)	<u>1,630</u>
			<u>\$ 6,295</u>

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

	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss) (US\$ in Thousands)	Exchange Rate	Net Foreign Exchange Gain (Loss) (US\$ in Thousands)
RMB	0.14493 (RMB:USD)	\$ 268	0.1450 (RMB:USD)	\$ 92
USD	106.71219 (USD:JPY)	(172)	108.95620 (USD:JPY)	(47)
NTD	0.033842 (NTD:USD)	<u>(136)</u>	0.03235 (NTD:USD)	<u>39</u>
		<u>\$ (40)</u>		<u>\$ 84</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held: (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 3)
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: (Tables 4)
- 11) Information on investees: (Table 5)

c. Information on investments in Mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders:

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

33. SEGMENT INFORMATION

- a. Operating segment

The Group is engaged in research and development, design, and manufacturing of ASIC and SOC and provides related services. These activities are deemed single industry; accordingly, management considers the Group as having only one reportable segment.

- b. Geographical information

The Group operates in three principal geographical areas - Japan, Taiwan and China.

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

	Revenue from External Customers		Non-current Assets	
	December 31		December 31	
	2020	2019	2020	2019
NT\$				
China	\$ 4,563,634	\$ 2,611,565	\$ 228,429	\$ 182,801
Japan	1,041,424	758,097	65,432	12,830
United States	672,600	644,164	4,364	364
Europe	505,645	53,608	-	-
Taiwan	290,651	260,117	884,222	420,649
Others	<u>4,905</u>	<u>4,405</u>	<u>199,803</u>	<u>473,775</u>
	<u>\$ 7,078,919</u>	<u>\$ 4,331,956</u>	<u>\$ 1,382,250</u>	<u>\$ 1,090,419</u>
US\$				
China	\$ 154,443	\$ 84,484	\$ 8,021	\$ 6,097
Japan	35,244	24,524	2,297	428
United States	22,762	20,839	153	12
Europe	17,112	1,734	-	-
Taiwan	9,836	8,415	31,047	14,031
Others	<u>168</u>	<u>142</u>	<u>7,016</u>	<u>15,803</u>
	<u>\$ 239,565</u>	<u>\$ 140,138</u>	<u>\$ 48,534</u>	<u>\$ 36,371</u>

c. Major customers representing at least 10% of net revenue:

Customer	2020			2019		
	US\$	NT\$	%	US\$	NT\$	%
Customer A	\$ 94,472	\$ 2,791,567	39	\$ 39,091	\$ 1,208,388	28
Customer B	(Note)	(Note)	(Note)	26,443	817,391	19

Note: Revenue from the customer for the indicated period was less than 10% of the Group's revenue.

TABLE 1**ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership %	Fair Value	
Alchip BVI	<u>Corporate bonds</u>							
	Korean Air Lines Co Ltd.	-	Investments in debt instrument at FVTOCI - current	1,000	\$ 28,557	-	\$ 28,557	-
	Virgin Australia Holdings Ltd.	-	"	450	1,041	-	1,041	-
	China Energy Reserve and Chemicals Group Overseas Capital Company Limited	-	"	1,000	854	-	854	-
	China Energy Reserve and Chemicals Group International Holding Limited	-	"	800	2,632	-	2,632	-
	CenturyLink Inc.	-	Investments in debt instrument at FVTOCI - non-current	1,000	29,870	-	29,870	-
	BPCE SA	-	"	1,000	32,325	-	32,325	-
	Sprint Corp.	-	"	1,000	33,430	-	33,430	-
	Norddeutsche Landesbank	-	"	1,000	29,777	-	29,777	-
	Banco Do Brasil	-	"	1,000	29,656	-	29,656	-
	Vedanta Resources PLC	-	"	200	5,101	-	5,101	-
	Royal Bank	-	"	300	9,251	-	9,251	-
	Royal Bank	-	"	400	12,472	-	12,472	-
	Standard Chartered PLC	-	"	600	17,921	-	17,921	-
Alchip Shanghai	KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund		Investments in equity instrument at FVTOCI - non-current	-	120,680	-	120,680	-

Note: For the information on investments in subsidiaries, see Tables 5 and 6 for details.

TABLE 2

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Alchip Shanghai	Subsidiary	Purchase	\$ 393,002	8.40	Within 1 year	The same as regular terms	The same as regular transaction terms	\$ (142,400)	(28.09)	-
	Alchip KK	Subsidiary	Sale	(132,233)	(2.12)	Within 1 year	The same as regular terms	The same as regular transaction terms	127,449	19.68	-
Alchip Shanghai	The Company	Subsidiary	Sale	(393,002)	(66.74)	Within 1 year	The same as regular terms	The same as regular transaction terms	142,400	77.92	-
	Alchip Hefei	Subsidiary	Purchase	108,837	52.59	Within 1 year	The same as regular terms	The same as regular transaction terms	(18,476)	(35.74)	-
Alchip KK	The Company	Subsidiary	Purchase	132,233	22.23	Within 1 year	The same as regular terms	The same as regular transaction terms	(127,449)	(98.41)	-
Alchip Hefei	Alchip Shanghai	Subsidiary	Sale	(108,837)	(77.94)	Within 1 year	The same as regular terms	The same as regular transaction terms	18,476	60.47	-

TABLE 3

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Alchip KK	Subsidiary	\$ 127,449	1.03	\$ -	-	\$ -	\$ -
Alchip Shanghai	The Company	Subsidiary	142,400	1.81	-	-	-	-

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	Alchip KK Alchip KK	a a	Accounts receivable	\$ 127, 449	Based on regular items	1
				Operating revenue	132,233	Based on regular items	2
1	Alchip Shanghai	The Company The Company	b b	Accounts receivable	142,400	Based on regular items	2
				Operating revenue	393,002	Based on regular items	6
2	Alchip Hefei	Alchip Shanghai	c	Operating revenue	108,837	Based on regular items	2
3	Alchip Jinan	Alchip Shanghai	c	Operating revenue	53,505	Based on regular items	1

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. Fill in “0” for the parent company.
- b. Subsidiaries are listed in order.

Note 2: Relationship types are as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2020, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the twelve months ended December 31, 2020.

Note 4: The amount was eliminated upon consolidation.

TABLE 5

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	%	Carrying Amount			
The Company	Alchip HK	Hong Kong	Investment	\$ 535,247 (US\$ 17,029) (Note 2)	\$ 520,687 (US\$ 16,529) (Note 2)	12,230,170	100	\$ 670,308 (Note 2)	\$ 61,761	\$ 61,761	-
	Alchip USA	U.S.A.	Sales of ASIC and SOC.	114,922 (US\$ 3,910)	114,922 (US\$ 3,910)	391,000	100	16,907	(2,946)	(2,946)	-
	Alchip KK	Japan	Sales of ASIC and SOC.	33,902 (JPY 100,000)	33,902 (JPY 100,000)	1	100	69,355	4,719	4,719	-
	Alchip TW	Taiwan	ASIC and SOC services.	100	100	10	100	516,976	(48,389)	(48,389)	-
	Alchip BVI	Tortola British Virgin Islands	Investment	473,317 (US\$ 15,100) (Note 1)	473,317 (US\$ 15,100) (Note 1)	50	100	496,986 (Note 1)	3,261	3,261	-

Note 1: The investment amount of NT\$ 471,735 thousand (US\$ 15,050 thousand) has been injected. However, the procedures of capital-increase have not been completed.

Note 2: Among which, an amount of NT\$38,848 thousand (US\$1,320 thousand) has been injected. However, the procedures of capital-increase have not been completed.

TABLE 6

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Alchip Shanghai	Research and development, design, and sales of ASIC and SOC related services.	\$ 364,544 (RMB 102,392)	Note 1 b.	\$ 364,544 (US\$ 12,800)	\$ - -	\$ - -	\$ 364,544 (US\$ 12,800)	\$ 33,164	100	\$ 33,164 b.2)	\$ 421,690	\$ -
Alchip Wuxi	Research and development and design of ASIC and SOC related services.	56,960 (RMB 12,482)	Note 1 b.	56,960 (US\$ 2,000)	- -	- -	56,960 (US\$ 2,000)	4,374	100	4,374 b.2)	122,937	-
Alchip Hefei	Research and development and design of ASIC and SOC related services.	14,240 (RMB 3,469)	Note 1 b.	14,240 (US\$ 500)	- -	- -	14,240 (US\$ 500)	19,025	100	19,025 b.2)	64,121	-
Alchip Jinan	Research and development and design of ASIC and SOC related services.	22,328 (RMB 5,031)	Note 1 b.	22,328 (US\$ 784)	- -	- -	22,328 (US\$ 784)	11,490	100	11,490 b.2)	49,496	-
Alchip Guangzhou	Research and development and design of ASIC and SOC related services.	14,240 (RMB 3,417)	Note 1 b.	- -	14,240 (US\$ 500)	- -	14,240 (US\$ 500)	(5,877)	100	(5,877) b.2)	9,045	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ -	\$ -	\$ -

Note 1: The investment types are as follows:

- Direct investment in mainland China.
- Indirect investment in mainland China through a subsidiary in a third place. (Investor: Alchip H.K.)
- Others.

(Continued)

Note 2: In the column of investment gain or loss:

- a. It should be noted if the investment was still in preparation without investment gain or loss.
- b. The recognition basis of investment gain or loss should be noted as follows:
 - 1) The financial statement is audited by an international accounting firm cooperating with accounting firms in Taiwan.
 - 2) The financial statement is audited by a certified public accountant cooperating with the parent company in Taiwan.
 - 3) Others.

(Concluded)