Elite Semiconductor Memory Technology Inc.
Individual Financial Report and Independent Auditors' Report
For Years 2019 and 2018
(Stock No: 3006)

(English Translation of a Report Originally Issued in Chinese)

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Elite Semiconductor Memory Technology Inc.

Individual Financial Report and Independent Auditors' Report for Years 2019 and 2018

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(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(PARENT COMPANY ONLY FINANCIAL STATEMENT)

(2020)Finance-Audit-Letter No.19003273

To Elite Semiconductor Memory Technology Inc.,

Audit Opinions

We have audited the Individual Balance Sheet as of December 31, 2019 and 2018 and Individual Income Statement, Individual Statement of Changes in Equity, Individual Cash Flow Statement, and Notes to the Individual Financial Statements for the years then ended (including the summary of major accounting policies) for Elite Semiconductor Memory Technology Inc. (hereinafter referred to as "the Company").

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibility under the above-mentioned regulations will be further explained in the section titled "The Accountant's Responsibility in Auditing the Individual Financial Statements". We are independent of the Company as required by the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters refer to matters that, in our professional judgment, were of most significance in our audit of the Individual Financial Statement of the Company for the year ended December 31, 2019. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on those matters.

Key audit matters for the Company are stated as follows:

Impairment of goodwill

Description

The Group merged with Eon Silicon Solution Inc. on June 8, 2016 and generated goodwill of NTD 80,758 thousand. The amount of goodwill impairment loss recognized by the Group in 2019 was NTD 12,057 thousand. For the accounting policy of goodwill impairment, please refer to Note 4(20) - Impairment of Non-Financial Assets attached to the individual financial statements. For the accounting estimates and assumptions of the goodwill impairment assessment, please refer to Note 5(2) attached to the individual financial statements. For the description of goodwill impairment assessment, please refer to Note 6(11) attached to the individual financial statements. The Company uses the future estimated cash flow of the cash-generating unit to which the goodwill belongs, and uses an appropriate discount rate to measure the recoverable amount of the cash-generating unit, as a basis for assessing whether the goodwill is impaired. As the goodwill impairment assessment uses assumptions including discount rates and financial forecasts for the next five years, such matter involves professional judgments that are uncertain. Therefore, we considered the goodwill impairment as a key audit matter this year.

How the matter was addressed in our audit

The audit procedures that we performed for the assessment of goodwill impairment include: understanding and evaluating the management 's process for estimating future cash flows; confirming the cash flow information for the next five years listed in the evaluation model is approved by the management; the reasonableness of major assumptions such as growth rate and discount rate, which includes 1. Comparison of historical results, economic and industry forecast reports used for projecting growth rate. 2. Checking the capital cost assumptions cash-generating units for the weighted average capital cost discount rate. 3. Evaluating the sensitivity analysis of the management with different expected growth rates and discount rates to confirm that the management has properly dealt with the possible impact of the estimated uncertainty.

Allowance for inventory valuation loss

Description

For accounting policies regarding inventory evaluation, please refer to Note 4(13) attached to the individual financial statements. For accounting estimates and assumptions of inventory evaluation, please refer to Note 5(2) attached to the individual financial statements. For the explanation of inventory accounting items, please refer to Note 6(5) attached to the individual financial statements. On December 31, 2019, the balance of inventories and allowance for inventory valuation losses amounted to NTD 5,137,286 thousand and NTD 168,762 thousand, respectively.

The main business items of the Company are research, development, production, manufacturing and sales of integrated circuits. The inventory of the Company is measured by the lower of cost and net realizable value. For the inventory aged over a period of time and individually identified as obsolete, the net realizable value is estimated based on the historical information of the de-inventorization process. As the determination of the net realizable value of the inventory aged over a certain period and obsolete inventory involves manual judgment and has uncertainties in estimation when performing the evaluation, therefore, we considered the allowance for inventory valuation losses as a key audit matter this year.

How the matter was addressed in our audit

The audit procedures that we performed for the key audit items listed above include the understanding of the Company operation and nature of the industry, assessing the reasonableness of policies and procedures used to recognize the allowance for inventory impairment loss, including the historical source information on the degree of de-inventorization, the reasonableness of judging aged and obsolete inventory items, examining the appropriateness of relevant information of the inventory aging report used by the Company to confirm the consistency between the report information and its policy, spot-checking inventory material numbers to verify the net realizable value of inventory, and obtaining the management's relevant assessment and supporting documents for individually identified obsolete or damaged inventory items, and then evaluating the reasonableness of the Company's allowance for inventory valuation losses.

Responsibility of the Management and the Governing Body for the Parent Company Only Financial Statements

The responsibility of the management is to have the individual financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”. Also, maintain the necessary internal controls related to the individual financial statements to ensure that the individual financial statements are free of any material misstatement arising from fraud or errors.

In preparing the Individual Financial Statements, the responsibility of management includes assessing the Company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the Company or terminate the business, or has no realistic alternative but to do so.

The governing bodies of the Company (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Responsibilities of Certified Public Accountants for Auditing Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor’s report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonability 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, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Company in order to express an opinion on the individual financial statements. We are responsible for guiding, supervising, and implementing the audit, and is also responsible for forming an opinion on the audit of the Company.

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

From the matters communicated with the governing body, we determined the key audit matters for the Company's individual financial statements for the year ended 2019. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Ya Huei Cheng

Danie Lee

Pricewaterhouse Coopers , Taiwan
March 20, 2020

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Balance Sheet

As of December 31, 2019 and 2018

Unit: NTD thousand

	Assets	Note	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,817,377	17	$ 829,308	8
1110	Financial assets at fair value through profit or loss - current	6(2)	150,841	2	210,901	2
1136	Financial assets measured at cost after amortization - current		140,906	1	-	-
1150	Net notes receivable		34	-	-	-
1170	Net accounts receivable	6(4)	1,160,173	11	1,059,404	10
1200	Other receivables	7(2)	79,745	1	71,929	1
130X	Inventories	6(5)	4,968,524	48	5,764,531	56
1410	Prepayments		21,863	-	74,569	1
1470	Other current assets	8	6,602	-	2,759	-
11XX	**Total current assets**		8,346,065	80	8,013,401	78
	Noncurrent assets					
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	25,388	-	29,650	-
1550	Investments accounted for using equity method	6(6)	1,225,036	12	1,278,138	12
1600	Property, plant, and equipment	6(7)	695,067	6	792,823	8
1755	Right-of-use assets		72,798	1	-	-
1760	Net Investment Property	6(9)	18,671	-	19,641	-
1780	Intangible assets	6(10)(11)	81,177	1	132,628	1
1840	Deferred income tax assets	6(26)	4,174	-	5,174	-
1900	Other noncurrent assets		10,357	-	63,693	1
15XX	**Total noncurrent assets**		2,132,668	20	2,321,747	22
1XXX	**Total assets**		$ 10,478,733	100	$ 10,335,148	100

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(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Balance Sheet

As of December 31, 2019 and 2018

Unit: NTD thousand

	Liabilities and equity	Note	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 270,000	3	$ 370,000	4
2110	Short-term notes and bills payable		-	-	99,932	1
2130	Contract liabilities - current	6(20)	3,949	-	2,440	-
2150	Notes payable		1,890	-	1,800	-
2170	Accounts payable		2,134,680	20	1,850,943	18
2200	Other payables	6(13)	450,874	4	487,212	5
2230	Current tax liability		39,960	1	130,106	1
2280	Lease liabilities - current		6,695	-	-	-
2300	Other current liabilities		4,325	-	3,817	-
21XX	**Total of current liabilities**		2,912,373	28	2,946,250	29
	Noncurrent liabilities					
2550	Liability reserve - noncurrent		15,083	-	13,791	-
2570	Deferred tax liabilities	6(26)	4,731	-	1,078	-
2580	Lease liabilities - non-current		66,540	1	-	-
2600	Other noncurrent liabilities	6(14)	18,546	-	18,681	-
25XX	**Total noncurrent liabilities**		104,900	1	33,550	-
2XXX	**Total liabilities**		3,017,273	29	2,979,800	29
	equity interests					
	Share capital	6(16)				
3110	Common stock		2,857,589	27	2,857,589	28
	Capital surplus	6(17)				
3200	Capital surplus		104,305	1	59,072	-
	Retained earnings	6(18)				
3310	Legal reserve		1,359,235	13	1,288,584	12
3320	Special reserve		-	-	194,377	2
3350	Undistributed earnings		3,286,176	31	3,093,047	30
	Other equities	6(19)				
3400	Other equities		(8,524)	-	-	-
3500	Treasury stock	6(16)	(137,321)	(1)	(137,321)	(1)
3XXX	**Total equity**		7,461,460	71	7,355,348	71
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Significant events after the balance sheet date	XI				
3X2X	**Total liabilities and equity**		$ 10,478,733	100	$ 10,335,148	100

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

Chairman: Hsing-Hai Chen　　Manager: Ming-Chien Chang　　Accounting Supervisor: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Income Statement

As of December 31, 2019 and 2018

Unit: NTD thousand
(EPS in NT$)

	Items	Note	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating income**	6(19) and 7 (2)	$ 11,964,770	100	$ 11,491,609	100
5000	**Operating costs**	6(5)(23) (24)	(10,219,721)	(85)	(9,438,357)	(82)
5900	**Gross profit**		1,745,049	15	2,053,252	18
5950	**Net operating gross profit**		1,745,049	15	2,053,252	18
	Operating expenses	6(23) (24)				
6100	Marketing expenses		(200,427)	(2)	(184,065)	(2)
6200	Administrative expenses		(228,753)	(2)	(235,832)	(2)
6300	Research and development expenses		(726,964)	(6)	(773,145)	(7)
6450	Expected credit impairment loss	12(2)	(10,006)	-	(4,289)	-
6000	**Total operating expenses**		(1,166,150)	(10)	(1,197,331)	(11)
6900	**Operating income**		578,899	5	855,921	7
	Non-operating revenues and expenses					
7010	Other revenue	6(20) and 7 (2)	78,697	1	77,272	1
7020	Other gains or losses	6(21)	(55,191)	(1)	(25,895)	-
7050	Financial costs	6(22)	(8,715)	-	(4,881)	-
7070	Share of other gains (losses) of subsidiaries, associates and joint ventures, accounted for using equity method	6(6)	(30,257)	-	(66,626)	(1)
7000	**Total non-operating revenues and expenses**		(15,466)	-	(20,130)	-
7900	**Profit before tax**		563,433	5	835,791	7
7950	Income tax expenses	6(25)	(66,028)	(1)	(129,283)	(1)
8200	**Net profit of current period**		$ 497,405	4	$ 706,508	6
	Other comprehensive income - net					
	Items not reclassified to profit or loss					
8311	Remeasurements of the defined benefit plan	6(14)	$ 636	-	$ 337	-
8316	Unrealized gain(loss) on valuation of equity instruments measured at fair value through other comprehensive income	6(3)	(4,262)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - not reclassified to income		(4,262)	-	-	-
8300	**Other comprehensive income - net**		($ 7,888)	-	$ 337	-
8500	**Total comprehensive income of current period**		$ 489,517	4	$ 706,845	6
	Basic earnings per share					
9750	**Current period net profit**		$ 1.78		$ 2.52	
	Diluted earnings per share					
9850	**Diluted earnings per share**		$ 1.77		$ 2.51	

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

Chairman: Hsing-Hai Chen   Manager: Ming-Chien Chang   Accounting Supervisor: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Statement of Changes in Equity

As of December 31, 2019 and 2018

Unit: NTD thousand

	Note	Common stock	Capital surplus - premium	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Other equities: Unrealized valuation gains or loss on financial assets at fair value through other comprehensive income	Other equities: Unrealized gains or losses on available-for-sal e financial assets	Treasury stock	Total equity
2018										
Balance as of January 1, 2018		$ 2,857,589	$ 116,645	$ 1,202,067	$	$ 3,432,991	$ -	($ 194,377)	($ 137,321)	$ 7,277,594
Effect of retrospective application and retrospective restatement		-	-	-	-	(194,377)	-	194,377	-	-
Adjusted balance as of January 1, 2018		2,857,589	116,645	1,202,067	-	3,238,614	-	-	(137,321)	7,277,594
Net profit of current period		-	-	-	-	706,508	-	-	-	706,508
Other comprehensive income (loss)		-	-	-	-	337	-	-	-	337
Total comprehensive income of current period		-	-	-	-	706,845	-	-	-	706,845
Distribution of cash dividends from capital surplus	6(17)(18)	-	(68,929)	-	-	-	-	-	-	(68,929)
Surplus appropriation and allocation of 2017	6(18)									
Special reserve		-	-	-	194,377	(194,377)	-	-	-	-
Legal reserve		-	-	86,517	-	(86,517)	-	-	-	-
Cash dividends from capital surplus		-	-	-	-	(571,518)	-	-	-	(571,518)
Recognition of effects from all equity changes in subsidiaries - cash dividends distribution of subsidiaries	6(17)	-	1,146	-	-	-	-	-	-	1,146
Recognition of effects from all equity changes in subsidiaries - effects of noncontrolling equity obtained by subsidiaries	6(17)	-	(69)	-	-	-	-	-	-	(69)
The changes in the net value of shares issued by subsidiaries not recognized in proportion to the shareholding	6(17)	-	(6,117)	-	-	-	-	-	-	(6,117)
Adjustment to surplus reserve from dividends paid to subsidiary	6(17)	-	12,608	-	-	-	-	-	-	12,608
Dividends that are not collected before the designated date shall be transferred to capital surplus.	6(17)	-	3,788	-	-	-	-	-	-	3,788
Balance as of December 31, 2018		$ 2,857,589	$ 59,072	$ 1,288,584	$ 194,37	$ 3,093,047	$ -	$	($ 137,321)	$ 7,355,348
2019										
Balance as of January 1, 2019		$ 2,857,589	$ 59,072	$ 1,288,584	$ 194,37	$ 3,093,047	$ -	$	($ 137,321)	$ 7,355,348
Net profit of current period		-	-	-	-	497,405	-	-	-	497,405
Other comprehensive income		-	-	-	-	636	(8,524)	-	-	(7,888)
Total comprehensive income of current period		-	-	-	-	498,041	(8,524)	-	-	489,517
Annual appropriation of net income and allocation of the year 2018	6(18)									
Legal reserve		-	-	70,651	-	(70,651)	-	-	-	-
Cash dividends from capital surplus		-	-	-	-	(428,638)	-	-	-	(428,638)
Special reserve reversal		-	-	-	(194,377)	194,377	-	-	-	-
Recognition of effects from all equity changes in subsidiaries - cash dividends distribution of subsidiaries	6(17)	-	1,146	-	-	-	-	-	-	1,146
Disposal of subsidiaries	6(17)	-	35,475	-	-	-	-	-	-	35,475
Adjustment to surplus reserve from dividends paid to subsidiary	6(17)	-	8,438	-	-	-	-	-	-	8,438
Changes in equity of affiliated companies joint ventures accounted for using equity method	6(17)	-	180	-	-	-	-	-	-	180
Dividends that are not collected before the designated date shall be transferred to capital surplus.	6(17)	-	39	-	-	-	-	-	-	39
Adjustment for dividends that are not collected before the designated date	6(17)	-	(45)	-	-	-	-	-	-	(45)
Balance as of December 31, 2019		$ 2,857,589	$ 104,305	$ 1,359,235	$	$ 3,286,176	($ 8,524)	$	($ 137,321)	$ 7,461,460

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

Chairman: Hsing-Hai Chen　　Manager: Ming-Chien Chang　　Accounting Supervisor: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Statement of Cash Flows

As of December 31, 2019 and 2018

Unit: NTD thousand

	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash flow from operating activities			
Net profit before taxation of current period		$ 563,433	$ 835,791
Adjustments			
Profits and loss			
Depreciation expenses	6(7)(8)(9)(23)	392,093	393,901
Amortization expenses	6(10)(23)	84,226	82,195
Expected credit impairment loss	12(2)	10,006	4,289
Net losses on financial assets at fair value through profit and loss	6(2)(21)	19,145	41,577
Interest expenses	6(22)	8,715	4,881
Interest income	6(20)	(27,979)	(30,195)
Dividend income	6(20)	(11,498)	(9,828)
Impairment losses	6(11)	12,057	25,047
Loss of subsidiaries, associates and joint ventures accounted for using the equity method		30,257	66,626
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit and loss		40,915	26,427
Notes receivable		(34)	315
Accounts receivable		(110,776)	287
Other receivables		(6,889)	(13,376)
Inventories		796,007	(2,134,747)
Prepayments		52,706	(9,329)
Other current assets		(3,844)	553
Net changes in liabilities relating to operating activities			
Notes payable		90	1,800
Accounts payable		283,737	141,601
Contract liabilities - current		1,509	2,440
Other payables		(53,299)	34,382
Other current liabilities		509	(8,864)
Other noncurrent liabilities		392	385
Cash inflow (outflow) generated from operating activities		2,081,478	(543,842)
Interest received		27,053	30,036
Interest paid		(7,388)	(3,354)
Income tax paid		(151,522)	(98,230)
Cash inflow (outflow) from operating activities		1,949,621	(615,390)

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(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Individual Statement of Cash Flows

As of December 31, 2019 and 2018

Unit: NTD thousand

	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash flow from investing activities			
Financial assets measured at amortized cost		($ 140,906)	$ -
Financial assets at fair value through other comprehensive income		-	(29,650)
Withdrawal of shares of dissolution and liquidation of subsidiaries		42,782	-
Acquisition of property, plant and equipment	6(27)	(268,048)	(366,402)
Decrease (increase) in equipment prepayment		52,996	(56,921)
Acquisition of intangible assets	6(10)	(44,832)	(89,098)
Decrease (increase) in refundable deposits		340	(1,055)
Dividends received		32,538	167,500
Net cash outflow from investing activities		(325,130)	(375,626)
Cash flow from financing activities			
Increase (decrease) in short-term notes and bills payable	6(27)	(99,932)	99,932
Increase (decrease) in short-term loans	6(27)	(100,000)	370,000
Repayment of the principal amount of rentals	6(27)	(7,956)	-
Increase in deposits received		110	99
Cash dividend paid	6(17)	(428,638)	(640,447)
Payment of dividends that are not collected before the designated date		(45)	-
Dividends that are not collected before the designated date		39	3,788
Net cash outflows from financing activities		(636,422)	(166,628)
Increase (decrease) in cash and cash equivalents		988,069	(1,157,644)
Beginning balance of cash and cash equivalents	6(1)	829,308	1,986,952
Ending balance of cash and cash equivalents	6(1)	$ 1,817,377	$ 829,308

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

Chairman: Hsing-Hai Chen　　Manager: Ming-Chien Chang　　Accounting Supervisor: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Notes to Individual Financial Statements

For Years 2019 and 2018

Unit: NTD thousand

(Unless otherwise indicated)

I. Company History

Elite Semiconductor Memory Technology Inc. (hereinafter referred to as “the Company”) was founded in May 1998 and started operation in December of the same year. The core business of the Company includes research, development, production, manufacture, and sales of dynamic and static random access memory, flash memory, analog integrated circuit, analog and digital mixed integrated circuit. The Group also provides technical services related to product design and R&D.

The Company merged with Ji Xin Technology Co., Ltd. On December 5, 2005, and merged with Eon Silicon Solution Inc. on June 8, 2016, and the Company is the surviving company.

II. Approval Date and Procedures of the Financial Statements

The individual financial statements were approved and issued on March 20, 2020, by the Board of Directors.

III. Application of New and Revised Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

Application of New/Revised/Amended Standards, Amendments and Interpretations	The Effective Date Announced by the International Accounting Standards Board
Amendments to IFRS 9 "Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments”	January 1, 2019
Annual Improvements to IFRS 2015-2017	January 1, 2019

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

IFRS 16 “Leases”

1. IFRS 16 "Leases" supersedes IAS 17 "Leases" and its relevant IFRIC interpretations and SIC interpretations. The standard requires lessees to recognize a right-of-use asset and a lease liability (except for those leases with terms of 12

months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

2. When applying the 2019 version of IFRSs as endorsed by the FSC, the Company elects to adopt IFRS 16 without restating the comparative information ("modified retrospective approach" hereinafter) and made adjustments to lessee lease contracts by increasing the right-of-use assets by NT$81,191 and lease liabilities by NT$81,191.
3. Upon initial adoption of IFRS 16, the Company adopts the following practical expedients:
   A. Contracts that have previously been identified as leases under IAS 17 and IFRIC 4 are not reassessed as to whether they are (or contain) leases but are treated by applying related IFRS 16 requirements.
   B. Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
   C. The use of hindsight in determining the lease term where the contract contains options to extend to terminate the lease.
4. The Company applied its incremental borrowing rate to calculate the present value of lease liabilities. The interest rate is 1.52%.
5. The Company discloses the amounts of its operating lease commitments pursuant to IAS 17. Below is the reconciliation of the present value after discount using the incremental borrowing rate upon the initial application date and the lease liability recognized on January 1, 2019.

Operating lease commitments applying IFRS 17 "Disclosures" as of December 31, 2018	$	60,825
Add: Adjustment for reasonable evaluation of lease renewal right		31,983
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as of January 1, 2019	$	92,808
The Company's incremental borrowing rate as at the initial application date		1.52%
Lease liability recognized pursuant to IFRS 16 as of January 1, 2019	$	81,191

(II) Effect of New Issuances of or Amendments to IFRSs as Endorsed by the FSC but not yet Adopted by the Company

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

Application of New/Revised/Amended Standards, Amendments and Interpretations	The Effective Date Announced by the International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Disclosure Initiative - Definition of Materiality”	Jan. 1, 2020
Amendments to IFRS 3 "Definition of a Business”	Jan. 1, 2020
Amendments to IFSR 9, IAS 39, and IFRS 7 "Changes	Jan. 1, 2020

in Interest Rate Indicators"

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

(III) Effects of IFRS Issued by IASB but not yet Endorsed by the FSC

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

Application of New/Revised/Amended Standards, Amendments and Interpretations	The Effective Date Announced by the International Accounting Standards Board
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"	Jan. 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Jan. 1, 2022

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

IV. Summary of Significant Accounting Policies

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

(I) Compliance Statement

The individual financial reports are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Preparation Basis

1. Except for the following significant items, these individual financial statements have been prepared under the historical cost:
   (1) Financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.
   (2) Financial assets measured at fair value through other comprehensive income.
   (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain significant accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual financial statements are disclosed in Note 5.

(III) Foreign Currency Translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (that is, the functional currency). The individual financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

Foreign currency transactions and balances

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
2. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing on the balance sheet date. Exchange differences arising upon re-translation on the balance sheet date are recognized in profit or loss.
3. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing on the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing on the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates on the dates of the initial transactions.
4. All exchange gains and losses are presented as "other gains and losses" on the statement of comprehensive income.

(IV) Classification of Current and Non-Current Asset and Liability Items

1. Assets that meet one of the following criteria are classified as current assets:
   (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
   (2) Assets arising mainly from trading activities.
   (3) Assets that are expected to be realized within 12 months from the balance sheet date.
   (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

   All other assets that do not meet any of the above criteria are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be paid off within the normal operating cycle.
   (2) Assets arising mainly from trading activities.
   (3) Liabilities that are to be paid off within 12 months from the balance sheet date.
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   All other liabilities that do not meet any of the above criteria are classified as non-current assets.

(V) Cash Equivalents

Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in an operational purpose.

(VI) Financial Assets at Fair Value through Profit and Loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. Based on a regular purchase or sale way, financial assets at fair value through profit or loss are recognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value and recognizes the gain or loss in profit or loss.
4. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VII) Financial Assets at Fair Value through Other Comprehensive Income

1. Refers to the irrevocable selection made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
   (1) Financial assets held within a business model of which the objective of

holding is to collect the contractual cash flows and to sell.

(2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

2. The Company's financial assets measured at fair value through other comprehensive profit or loss in accordance with the trading conventions are accounted for on the trade date.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value.

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VIII) Financial Assets Measured at Cost After Amortization

1. Financial assets at amortized cost are those that meet all of the following criteria:
   (1) The objective of the Company’s business model is achieved by collecting contractual cash flows; and
   (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.
2. The Company uses the trade day accounting for financial assets measured at amortized cost and complied with trade practices.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income is recognized using the effective interest method and an impairment loss is accounted for. Upon derecognition, the gain or loss is recognized in profit or loss.
4. The Company holds time deposits that do not meet the definition of cash equivalents. Due to their short maturity periods, the impact of discounting is not significant. Thus, they are measured by the investment amount.

(IX) Accounts Receivable and Notes

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

(X) Impairments of Financial Assets

The Company measures the loss allowance for financial assets and accounts receivable containing significant financial components measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) on each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(XI) The Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(XII) Operating Lease (The Lessor)

Payments received under an operating lease (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the lease term.

(XIII) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The cost of finished goods and goods in process comprises raw materials, direct labor, other direct costs and related production overheads. However, loan costs are excluded. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the balance obtained after the estimated selling price in the ordinary course of business minuses the estimated cost of completion and applicable variable selling expenses.

(XIV) Investments Accounted for under the Equity Method/Subsidiaries and Associates

1. Subsidiaries refer to entities (including structured entities) controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Transactions and unrealized gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company shall continue to recognize losses in proportion to its ownership.

4. Changes in a parent's ownership interest in a subsidiary not resulting in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
5. Associates are all entities over which the Company has significant influence but does not control. In general, it is presumed that the investor has significant influence if an investor holds directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
6. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
7. When an associate’s equity changes are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
8. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
9. Where an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, the "capital surplus" and "investments accounted for under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
10. Upon loss of significant influence over an associate, the Company shall

remeasure the remaining investment retained in the former associate at its fair value. Any difference between the fair value and the carrying amount is recognized in profit or loss for the period.

11. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are handled on the same basis as would be required if the relevant assets or liabilities were disposed of. That is, the profits or losses recognizes in other comprehensive income are reclassified to profit or loss upon disposal of such assets or liabilities. In circumstances where the Company loses significant influence over this associate, such assets or liabilities are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified under profit or loss proportionately in accordance with the aforementioned approach.
12. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the period and other comprehensive income presented in individual financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent company presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the individual financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(XV) Property, Plant, and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Except for the land not being depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The Company reviews each asset's residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the

assets' residual values and useful lives differ from previous estimates or the consumption patterns of the assets' future economic benefits embodied in the assets have changed significantly, any change is seen as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Houses and buildings	3 to 20 years
Machinery equipment	3 to 28 years
Laboratory equipment	3 to 28 years
Others	3 to 10 years

(XVI) Lease Transaction in the Capacity of a Lessee - Right-of-Use Assets/Lease Liabilities

Applicable for the annual periods beginning on or after January 1, 2019

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Company's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. The Company recognizes the present value of unpaid lease liabilities discounted at the Company’s incremental borrowing interest rate starting from the lease starting date. Lease payments include fixed payments, excluding any lease incentives. Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is allocated over the lease term.

   Starting from the lease date, the Company assesses whether it can reasonably determine its option to extend the lease or purchase the underlying asset, or not to terminate the lease. The Company considers all relevant facts and circumstances that will generate economic incentives to exercise or not exercise the options. Such circumstances include all expected changes in facts and situations from the start of the lease to the day when the option is exercised. Main factors to consider include contractual terms and conditions within the period of options and the importance of the underlying asset to the lessee’s operations, etc. The lease term will be reassessed if a significant change or a major change in circumstances occurs within the Company's control range.

   When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the remeasurements are adjusted to the right-of-use assets.
3. Right-of-use assets are recognized at cost on the lease start date. The cost refers to the initial measurement of the lease liabilities. A right-of-use asset is subsequently measured using the cost model and depreciated from the

commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any remeasurements of the lease liability.

(XVII) Operating Lase (The Lessee)

Applicable for the annual periods beginning on or after January 1, 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(XVIII) Investment Property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(XIX) Intangible Assets

1. Patent, specialized technology and customer relations

   The patents acquired separately are recognized as the acquisition cost. The patent, special technology and customer relations acquired from a merger are recognized at fair value on the acquisition date and are depreciated on a straight-line method basis over its estimated useful life of three years.

2. Goodwill

   Goodwill arises in a business combination that applies the acquisition method.

3. Other intangible assets, which mainly refer to computer software, are recognized as cost on the acquisition date and are depreciated on a straight-line basis over its estimated useful life of three years.

(XX) Impairment of Non-Financial Assets

1. The Company assesses on each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher amount between an asset's fair value deducting costs to sell and the value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount due to reversal shall not exceed what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

2. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

3. The Company's goodwill is the purpose of impairment testing and will be

allocated to each of the cash-generating units. According to the operational unit's identification, the Company's goodwill is allocated to the cash-generating units or groups that are expected to benefit from the merger that generates goodwill.

(XXI) Borrowings

Borrowings refer to short-term loans from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XXII) Notes and Accounts Payable

Accounts payable and notes are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at the initial invoice amount as the effect of discounting is immaterial.

(XXIII) Derecognition of Financial Liabilities

The Company derecognizes a financial liability when the obligation under the contract is performed, canceled, or expires.

(XXIV) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(XXV) Employee Benefits

1. Short-term employee benefits

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

2. Pension

   (1) Defined contribution pension plan

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

(2) Defined benefit plans

A. Net obligation under a defined benefit plan refers to the discounted present value generated from the employees' current for past services; the present value under the defined benefit plan on the balance sheet date shall minus the fair value of plan assets. The net obligation under the defined benefit plan is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using government bonds yield on the balance sheet date of currency and term consistent with that of the defined benefit plan and the balance sheet date.

B. Remeasurements arising under defined benefit plans are recognized in other comprehensive income for the period and are recorded as other equity.

C. Past service costs are recognized immediately in profit or loss.

3. Remuneration to employees, Directors and Supervisors

Remuneration to employees, Directors and Supervisors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently distributed amounts are accounted for as changes in estimates. If employee remuneration is paid by shares, the Company calculates the number of shares based on the closing price one day prior to the board meeting resolution.

(XXVI) <u>Share-Based Payment to Employees</u>

1. For equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments on the granting date and are recognized as the remuneration cost over a vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments shall reflect the impact of market vesting conditions and non-market vesting conditions. Recognized remuneration cost is subject to adjustments based on the service conditions and non-market vesting conditions that are expected to be satisfied until the amount of remuneration cost recognized is the number of equity instruments that are eventually vested on the vesting date.

2. The Company’s new restricted employee shares:

(1) Remuneration cost is recognized at the fair value of the equity instruments on the grant date over the vesting period.

(2) For shares to be included in dividend distribution, employees are not

required to return the dividends if they resign during the vesting period. The Company recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as remuneration cost on the dividend declaration date.

(3) Employees are not required to make payments to obtain new restricted employee shares. If an employee resigns within the vesting period, he/she shall return the shares and the Company shall cancel the share.

(XXVII) Income Tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except for items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws substantively enacted on the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings in accordance with the Income Tax Act and is recorded as income tax expense in the year the shareholders resolve to retain the earnings based on the actual earnings appropriation.
3. Deferred tax is recognized, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax liabilities arising from the originally recognized goodwill are not recognized. Deferred income tax is not recognized if it originates from the original recognition of the asset or liability in transactions (excluding mergers) and did not affect accounting profits or taxable income (taxable loss) at the time of the transaction. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. On each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

5. A deferred tax asset shall be recognized for the carry-forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
6. If tax rate changes in the interim, the Company recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

(XXVIII) Share Capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
2. Where the Company repurchases its equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(XXIX) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividend distributions are recorded as liabilities; stock dividends distributions are recorded as stock dividends to be distributed and are reclassified as ordinary shares on the effective date of new shares issuance.

(XXX) Recognition of Revenue

1. The Company manufactures and sells integrated circuits and recognizes sales revenue when the control of products is transferred to customers, i.e. when products are delivered to customers and the Company doesn't have further performance obligations that might affect the acceptance of goods by customers. When goods are delivered to a specific location, the risk of delivery, obsolescence, and loss is transferred to customers, who accept the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for the transaction have been satisfied and the goods delivery has occurred.
2. The Company accepts sales orders from customers. Sales revenue is recognized according to the contract price, and the Company transfers the promised goods or services to customers. Since the customer's payment period

does not exceed one year, the Company has not adjusted the monetary time value of the transaction price.

3. Accounts receivable are recognized when goods are delivered to customers, at which time the Company's right to the consideration for contracts from customers is unconditional, except for passage of time.

V. Main Sources of Significant Accounting Judgments, Assumptions and Estimates Uncertainty

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

(I) Critical judgments in applying the Company’s accounting policies

None.

(II) Significant accounting estimates and assumption

1. Impairment of goodwill

The assessment of goodwill impairment relies on the Company’s subjective judgment, including identifying cash-generating units and the allocation of assets and liabilities and goodwill to the relevant cash-generating units, and determining the recoverable amount of the relevant cash-generating units. For information related to assessment of goodwill impairment, please refer to Note 6 (11).

Total book value of goodwill on December 31, 2019 is NT$43,654.

2. Inventory valuation

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid changes of technology, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date and writes down the cost of inventories to the net realizable value. Since the inventory valuation is estimated based on demands for products in a specific future period, it may be subject to significant changes.

Total book value of inventories on December 31, 2019 is NT$4,968,524.

VI. Summary of Significant Accounts

(I) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 115	$ 115
Checking deposits and demand deposits	343,791	156,444
Time deposits	1,473,471	672,749
	$ 1,817,377	$ 829,308

1. The Company transacts with a variety of financial institutions with high credit quality to disperse credit risk, so the probability of counterparty default is expected to be low.
2. For the restrictions on the Company's use of cash and cash equivalents as pledge guarantees, please refer to Note 8.

(II) Financial assets at fair value through profit and loss

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
TWSE/TPEx-listed stocks	$ 286	$ 25,135
Emerging stocks	115,673	138,105
Beneficiary certificates	45,465	45,465
Corporate bonds	31,226	31,226
Subtotal	192,650	239,931
Evaluation adjustment	(41,809)	(29,030)
Total	$ 150,841	$ 210,901

1. Financial assets measured at fair value through profit or loss that are recognized in profit (loss) are detailed as follows:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 24,397)	($ 34,513)
Debt instruments	2,750	(7,507)
Beneficiary certificates	2,502	443
Total	($ 19,145)	($ 41,577)

2. The Company has no financial assets at fair value through profit or loss pledged as collateral.
3. For information on the credit risk of financial assets measured at fair value through profit or loss, please refer to Note 12 (2) 3.(2).

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	$ 29,650	$ 29,650
Evaluation adjustment	(4,262)	-
	$ 25,388	$ 29,650

The Company has chosen to classify equity investment in strategic investment as financial assets at fair value through other comprehensive income, which are at NT$25,388 and NT$29,650 as of December 31, 2018 and 2019, respectively.

(IV) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable - general customers	$ 1,174,227	$ 1,063,215
Accounts receivable - related parties	241	478
	1,174,468	1,063,693
Less: Allowance for losses	(14,295)	(4,289)
	$ 1,160,173	$ 1,059,404

1. Aging analysis of accounts receivable is stated as follows:

	December 31, 2019	December 31, 2018

Not past due	$ 1,159,935	$ 1,048,082
Past due - within 30 days	238	1,285
Past due - 31~90 days	-	-
Past due - 91~180 days	-	14,326
Past due - over 181 days	14,295	-
	$ 1,174,468	$ 1,063,693

The aging analysis above is based on the number of past due days.

2. Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Company's accounts receivable on December 31, 2018 and December 31, 2017 are NT$1,160173 and NT$1,059,404, respectively.
3. The collaterals and fair value of collaterals held by the Company as security for accounts receivable are as follows:

	2019.12.31	2018.12.31
Bank guarantee	$ 43,494	$ 59,215
Pledged certificate of deposit	7,500	7,500
Refundable deposits (listed in “other non-current liabilities”)	8,794	8,600
Letters of credit	546,672	549,718
Company promissory note/check	366,621	423,737
	$ 973,081	$ 1,048,770

4. For credit risk information on accounts receivable, please refer to Note 12 (2).
5. The balance of accounts receivable and notes receivable on December 31, 2019 and 2018 were generated from customer contracts. The balance of receivables on customer contract on January 1, 2018, was NT$1,128,414.
6. The Company does not have account receivables pledged as collaterals.

(V) Inventories

	2019.12.31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 156,518	($ 9,794)	$ 146,724
Work in process	4,013,286	(70,663)	3,942,623
Finished goods	963,140	(88,305)	874,835
Inventory in transit	4,342	-	4,342
	$ 5,137,286	($ 168,762)	$ 4,968,524

	2018.12.31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 456,550	($ 29,332)	$ 427,218
Work in process	4,150,475	(140,498)	4,009,977
Finished goods	1,406,889	(84,521)	1,322,368
Inventory in transit	4,968	-	4,968
	$ 6,018,882	($ 254,351)	$ 5,764,531

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of inventories sold	$ 10,305,310	$ 9,291,680
Losses (reversed gains) from price decline or obsolescence of inventory	(85,589)	146,677
	$ 10,219,721	$ 9,438,357

In 2019, the provision for the recorded falling price losses of the inventories was sold; there were reversed gains.

(VI) Investments accounted for using equity method

	2019.12.31	2018.12.31
Subsidiaries:		
Elite Memory Technology Inc.	$ 30,179	$ 22,583
Chang Feng Investment Co., Ltd.	394,670	375,444
CML Inc.	-	61,705
Elite Investment Services Ltd.	627,721	637,559
Elite Semiconductor (B.V.I.) Ltd.	26,627	28,055
Jie Yong Investment Co., Ltd.	147,009	149,932
Eon Silicon Solution (Samoa) Inc.	-	3,147
Eon Silicon Solutions, Inc. USA	(1,170)	(287)
	$ 1,225,036	$ 1,278,138

For more information on the subsidiaries of the Company, refer to Note 4(3) of the Company's 2019 consolidated financial statements.

(VII) Property, plant, and equipment

	Land	Houses and buildings	Machinery equipment	Laboratory equipment	Others	Total
January 1, 2019						
Cost	$ 9,023	$615,250	$393,787	$181,379	$1,069,371	$2,268,810
Accumulated depreciation and impairment	-	(332,185)	(313,872)	(128,711)	(701,219)	(1,475,987)
	$ 9,023	$283,065	$ 79,915	$ 52,668	$ 368,152	$ 792,823
2019						
January 1	$ 9,023	$283,065	$ 79,915	$ 52,668	$ 368,152	$ 792,823
Additions	-	5,496	35,908	10,059	159,111	210,574
Reclassification (Note 1)	-	15,195	-	59,205	-	74,400
Depreciation expenses	-	(32,703)	(38,667)	(19,779)	(291,581)	(382,730)
December 31	$ 9,023	$271,053	$ 77,156	$102,153	$ 235,682	$ 695,067
2019.12.31						
Cost	$ 9,023	$635,941	$429,694	$250,644	$1,228,482	$2,553,784
Accumulated depreciation and impairment	-	(364,888)	(352,538)	(148,491)	(992,800)	(1,858,717)
	$ 9,023	$271,053	$ 77,156	$102,153	$ 235,682	$ 695,067

	Land	Houses and buildings	Machinery equipment	Laboratory equipment	Others	Total
January 1, 2018						
Cost	$ 9,023	$631,503	$388,650	$161,810	$ 775,360	$1,966,346
Accumulated depreciation and impairment	-	(301,551)	(252,869)	(111,375)	(417,019)	(1,082,814)
	$ 9,023	$329,952	$135,781	$ 50,435	$ 358,341	$ 883,532
2018						
January 1	$ 9,023	$329,952	$135,781	$ 50,435	$ 358,341	$ 883,532
Additions	-	4,116	5,137	19,569	294,011	322,833
Reclassification (Note 2)	-	(20,369)	-	-	-	(20,369)
Depreciation expenses	-	(30,634)	(61,003)	(17,336)	(284,200)	(393,173)
December 31	$ 9,023	$283,065	$ 79,915	$ 52,668	$ 368,152	$ 792,823
December 31, 2018						
Cost	$ 9,023	$615,250	$393,787	$181,379	$1,069,371	$2,268,810
Accumulated	-	(332,185)	(313,872)	(128,711)	(701,219)	(1,475,987)

depreciation and impairment						
	$ 9,023	$283,065	$ 79,915	$ 52,668	$ 368,152	$ 792,823

Note 1. Transferred from prepayments for facilities (listed in “other noncurrent assets”).

Note 2. The Company has rented houses and buildings since April 2018. Thus, relevant houses and buildings are reclassified to investment property. Please refer to Note 6 (9) for details.

1. The Company has no capitalization of interests in 2019 and 2018.
2. The Company does not provide property, plant and equipment as collateral.

(VIII) Lease Transaction - The Lessee

Applicable for the annual periods beginning on or after January 1, 2019

1. The Company’s leased objects include land, houses and buildings, company vehicles, and photocopy machines. The periods of lease contract vary from 2 to 20 years. The lease contracts are negotiated individually and contain different terms and conditions. The company vehicles leased by the Company are classified as short-term lease contracts as the lease periods do not exceed 12 months.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	2019.12.31	2019
	Book value	Depreciation expenses
Land	$ 65,641	$ 3,420
Houses and buildings	5,701	2,545
Company vehicles	470	1,732
Photocopy machines	986	696
	$ 72,798	$ 8,393

3. The profit and loss items related to the lease contracts are as follows:

	2019
Items that affect profit or loss	
Interest expense on lease liability	$ 1,075
Rent expense of short-term leases	$ 1,232

4. The Company's cash outflow from leases amounted to NT$10,263 in 2019.

(IX) Investment property

	Houses and buildings
Jan. 1, 2019	
Cost	$ 20,369
Accumulated depreciation and impairment	(728)
	$ 19,641
2019	
January 1	$ 19,641
Depreciation expenses	(970)
December 31	$ 18,671
December 31, 2019	
Cost	$ 20,369
Accumulated depreciation and impairment	(1,698)
	$ 18,671

	Houses and buildings
January 1, 2018	
Cost	$ -
Accumulated depreciation and impairment	-
	$ -
2018	
January 1	$ -
Reclassification	20,369
Depreciation expenses	(728)
December 31	$ 19,641
December 31, 2018	
Cost	$ 20,369
Accumulated depreciation and impairment	(728)
	$ 19,641

1. Rental income from the lease of the investment property and direct operating expenses:

	2019	2018
Rental income from investment property	$ 2,436	$ 1,960
Direct operating expenses arising from the investment property generating rental income in the period	$ 970	$ 728

2. The fair value of the investment properties held by the Company on December 31, 2019 and 2018 are NT$10,538 and NT$12,380. This is the evaluation results under income approach. The main assumptions are as follows:

	2019.12.31	2018.12.31
Net income as a percentage of capital (Note)	13.86%	10.96%

Note: Calculated based on the weighted average capital cost of the issuer.

3. The Company has no capitalization of interests in 2019 and 2018.
4. The Company does not provide investment property as collateral.

(X) Intangible assets

	Patent and specialized technology	Customer relations	Goodwill	Others	Total
January 1, 2019					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 323,012	$ 449,248
Accumulated amortization and impairment	(16,596)	(9,473)	(25,047)	(265,504)	(316,620)
	$ 17,882	$ 1,527	$ 55,711	$ 57,508	$ 132,628
2019					
January 1	$ 17,882	$ 1,527	$ 55,711	$ 57,508	$ 132,628
Additions	-	-	-	44,832	44,832
Amortization expenses	(8,960)	(1,527)	-	(73,739)	(84,226)
Impairment losses	-	-	(12,057)	-	(12,057)
December 31	$ 8,922	$ -	$ 43,654	$ 28,601	$ 81,177
December 31, 2019					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 367,844	$ 494,080
Accumulated amortization and impairment	(25,556)	(11,000)	(37,104)	(339,243)	(412,903)
	$ 8,922	$ -	$ 43,654	$ 28,601	$ 81,177

	Patent and specialized technology	Customer relations	Goodwill	Others	Total
January 1, 2018					
Cost	$ 19,183	$ 11,000	$ 80,758	$ 249,209	$ 360,150
Accumulated amortization and impairment	(8,927)	(5,806)	-	(194,645)	(209,378)
	$ 10,256	$ 5,194	$ 80,758	$ 54,564	$ 150,772
2018					
January 1	$ 10,256	$ 5,194	$ 80,758	$ 54,564	$ 150,772
Additions	15,295	-	-	73,803	89,098
Amortization expenses	(7,669)	(3,667)	-	(70,859)	(82,195)
Impairment losses	-	-	(25,047)	-	(25,047)
December 31	$ 17,882	$ 1,527	$ 55,711	$ 57,508	$ 132,628
December 31, 2018					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 323,012	$ 449,248
Accumulated amortization and impairment	(16,596)	(9,473)	(25,047)	(265,504)	(316,620)
	$ 17,882	$ 1,527	$ 55,711	$ 57,508	$ 132,628

1. Details of the amortization of intangible assets are as follows:

	2019	2018
Operating costs	$ 8,404	$ 6,336
Selling expenses	1,528	3,667
Administrative expenses	711	860
Research and development expenses	73,583	71,332
	$ 84,226	$ 82,195

2. The Company has no capitalization of interests in 2019 and 2018.
3. There is no impairment of tangible assets. Please refer to Note 6 (11) for explanation.
4. The Company does not provide intangible assets as collaterals.

(XI) Impairment of non-financial assets

The Company performs impairment tests on the recoverable amount of goodwill on the balance sheet date. The recoverable amount of the cash-generating unit has been evaluated based on the value in use. The value in use is calculated based on the cash flow forecast for the next five years approved by management as the basis for estimation. Relevant discount rates for 2019 and 2018 were 13.86% and 12.5%, respectively. The value used by the Company to calculate cash-generating units is derived from historical information on estimated future revenue growth rates, gross profit margins and operating expense ratios, and with reference to future industrial economic trends.

The recoverable amount calculated based on the above key assumptions is lower than the book value of goodwill. Thus the Company recognized impairment losses of NT$12,057 and NT$25,047 in 2019 and 2018, respectively.

(XII) Short-term borrowings

Loan type	December 31, 2019	Interest rate collars	Collateral
Borrowings from banks			
Credit loans	$ 270,000	0.98%～1.00%	None

Loan type	December 31, 2018	Interest rate collars	Collateral
Borrowings from banks			
Credit loans	$ 370,000	0.98%～1.05%	None

The Company’s interest expenses recognized in profit and loss in 2019 and 2018 were NT$5,340 and NT$3,353, respectively.

(XIII) Other payables

	2019.12.31	2018.12.31
Salary and bonus payables	$ 288,090	$ 319,352
Payable on equipment	58,026	41,100
Remuneration to employees and Directors	35,964	53,348
Others	68,794	73,412
	$ 450,874	$ 487,212

(XIV) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to adopt the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company monthly contributes 2% of the total salary as a pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Labor Retirement Reserve. Also, the Company annually assesses the balance in the aforementioned labor pension reserve account by December 31. If the account balance is insufficient for the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(2) The amounts recognized in the balance sheet are as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligation	$ 12,739	$ 11,614
Fair value of benefit plan assets	(2,409)	(2,164)
	10,330	9,450
Unadjusted amount for the period	(21)	766
Recognized in net profit or loss in balance sheet	$ 10,309	$ 10,216

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of benefit plan assets	Net defined benefit liabilities
2019			
Balance as of January 1	($ 11,614)	$ 2,164	($ 9,450)
Current service costs	(299)	-	(299)
Interest income (expense)	(116)	21	(95)
	(12,029)	2,185	(9,844)
Remeasurement:			
Return on plan assets (excluding interest revenue or expenses)	-	74	74
Changes in financial assumptions	(385)	-	(385)
Experience adjustment	(325)	-	(325)
	(710)	74	(636)
Allocation of pension funds	-	150	150
Unadjusted amount for the period	-	-	21
Balance as of December 31	($ 12,739)	$ 2,409	($ 10,309)

	Present value of defined benefit obligation	Fair value of benefit plan assets	Net defined benefit liabilities
2018			
Balance as of January 1	(10,817)	$ 1,945	($ 8,872)
Current service costs	(287)	-	(287)
Interest income (expense)	(119)	21	(98)
	(11,223)	1,966	(9,257)
Remeasurement:			
Return on plan assets (excluding interest revenue or expenses)	-	54	54
Changes in financial assumptions	(128)	-	(128)
Experience adjustment	(263)	-	(263)
	(391)	54	(337)
Allocation of pension funds	-	144	144
Unadjusted amount for the period	-	-	(766)
Balance as of December 31	($ 11,614)	$ 2,164	($ 10,216)

(4) The fund asset of the Company's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund’s annual utilization plan. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts

accrued from two year time deposits with the interest rates offered by local banks. If the earnings are less than the aforementioned rates, the government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with paragraph 142 of IAS 19. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	0.70%	1.10%
Future salary increase rate	3.00%	3.00%

The assumptions about the future mortality rate in the 2019 and 2018 are estimated according to the fifth life experience table in Taiwan.

The analysis of the present value of the defined benefit obligations affected by changes in the main actuarial assumptions used is as follows:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
2019.12.31				
Effect on present value of defined benefit obligation	($ 322)	$ 332	$ 292	($ 285)
2018.12.31				
Effect on present value of defined benefit obligation	($ 317)	$ 328	$ 292	($ 284)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(6) Expected contributions to the defined benefit pension plans of the Company are $ 153 for the year ended December 31, 2020.

(7) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years. The maturity analysis of the pension payments is as follows:

Within 1 year	$ 326
1 - 2 years	132
2 - 5 years	397
Over 5 years	5,138

$	5,993

2. (1) Effective since July 1, 2005, the Company has established a defined contribution pension plan ("the Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. Nationality. Under the Plan, the Company monthly contributes an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

   (2) For the years ended December 31, 2019 and 2018, the net pension costs recognized under the defined contribution plan were NT$28,097 and NT$26,496, respectively.

(XV) Share-based payments

1. In 2019 and 2018, the Company's share-based payment agreement provided as follows:

Type of agreement	Grant date	Quantity granted	Contract period	Vesting conditions
Subsequent to 2008 Eon Silicon Solution Inc.'s employee share purchase plan	June 1, 2008 and Aug. 1, 2008	5,000 thousand shares (Note 2)	10 years	Note 1
Subsequent to 2010 Eon Silicon Solution Inc.'s employee share purchase plan	Aug. 10, 2010, Oct. 15, 2010 and Jan. 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Subsequent to 2013 Eon Silicon Solution Inc.'s employee share purchase plan	Aug.19.2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1. Percentages of subscription vesting after 2, 3 and 4 years of service were 50%, 75% and 100%.

Note 2. The Company succeeded the employee share subscription plan of Eon Silicon Solution Inc. The date or amount of share subscription are the same as the original plan. After the merger with Eon Silicon Solution Inc., the Company succeeded the outstanding employee share subscription options of 262 thousand shares, 219 thousand shares, and 688 thousand shares in 2008, 2010 and 2013, respectively.

The said share-based payment arrangements are all settled in equity.

2. Detailed information on the said share-based payment arrangements is as follows:

Employee share subscription plan succeeded from Eon Silicon Solution Inc.:

	2019		2018	
	Number of stock options	Weighted average Exercise price	Number of stock options	Weighted average Exercise price
Outstanding stock options as of January 1	621	$ 62.3~319.0	880	$ 65.9~337.4
Abandoned share option for the period	(78)	-	(73)	-
Overdue share option for the period	-	-	(186)	-
Outstanding stock options as of December 31	543	$ 59.2~303.4	621	$ 62.3~319.0
Exercisable stock o	543		621	

3. There were no share options executed in 2019 and 2018.
4. As of December 31, 2019 and 2018, the exercise prices of the outstanding share option range between NT$59.2 ~ NT$303.4 and NT$62.3 ~ NT$319.0, respectively. The weighted average remaining contract period were 3.64 years and 4.64 years, respectively.
5. The abovementioned share-based payment transactions incurred in 2019 and 2018 were both NT$0.

(XVI) Share capital

1. As of December 31, 2019; the Company's rated capital was NT$3,500,000, divided into 350,000 thousand shares (including 20,000 thousand employee stock option certificate subscription shares). The paid-up capital is NT$2,857,589, with par value of NT$10.

   Quantities of the Company’s outstanding common shares at the beginning and ending of periods were reconciled as follows:

   Shares: thousand shares

	2019	2018
Outstanding shares as of January 1	272,320	272,320
Outstanding shares as of December 31	272,320	272,320
Treasury shares at the end of the period	13,439	13,439
Number of shares issued as of December 31	285,759	285,759

2. Treasury stock

   Due to operation strategies of its parent company, the Company’s subsidiary - Jie Yong Investment Co., Ltd., held 13,439 thousand shares in the Company as of December 31, 2019 and 2018, with face value of NT$328,048, an average face value of NT$24.4 per share, fair value of NT$38.9 and NT$30.05, perspectively.

(XVII) Capital surplus

According to the Company Act, capital surplus arising from paid-in capital in excess of par value on the issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to stockholders in proportion to their share ownership, provided that the Company has no accumulated deficit. In accordance with regulations in the Securities and Exchange Act, when the abovementioned capital reserve is used for capitalization, the annual total amount shall not exceed 10% of the paid-in capital. Capital surplus shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019				
	Treasury stock transactions	Investments under equity method	Employee share option	Others	Total
January 1	$ 1,661	$ 49,710	$ 3,913	$ 3,788	$ 59,072
Recognition of effects from all equity changes in subsidiaries - Cash dividends	-	1,146	-	-	1,146
Disposal of subsidiaries	-	35,475	-	-	35,475
Adjustment to surplus reserve from dividends paid to subsidiary	-	8,438	-	-	8,438
Changes in equity of associates and joint ventures udner equity method	-	180	-	-	180
Dividends that are not collected before the designated date shall be transferred to capital surplus	-	-	-	39	39
Adjustment for dividends that are not collected before the designated date	-	-	-	(45)	(45)
December 31	$ 1,661	$ 94,949	$ 3,913	$ 3,782	$104,305

	2018					
	Shares premium	Treasury stock transactions	Investments accounted for using equity method	Employee share option	Others	Total
January 1	$68,929	$ 1,661	$42,142	$ 3,913	$ -	$116,645
The distribution of cash dividend from capital surplus	(68,929)	-	-	-	-	(68,929)
Recognition of effects from all equity changes in subsidiaries - Cash dividends	-	-	1,146	-	-	1,146
Recognition of effects from all equity changes in subsidiaries - Non-controlling	-	-	(69)	-	-	(69)
The changes in the net value of shares issued by subsidiaries not recognized in proportion to the shareholding	-	-	(6,117)	-	-	(6,117)
Adjustment to surplus reserve from dividends paid to subsidiary	-	-	12,608	-		12,608
Dividends that are not collected before the designated date shall be transferred to capital surplus	-	-	-	-	3,788	3,788
December 31	$ -	$ 1,661	$49,710	$ 3,913	$3,788	$ 59,072

(XVIII) Retained earnings

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

   (1) Pay taxes

   (2) Set off deficits

(3) Appropriate 10% as legal reserve

(4) Appropriate for special reserve if necessary

(5) The remaining shall be allocated as dividends for shareholders and will be distributed according to the ratio of shareholdings or withheld as accumulated earnings pursuant to the resolution from the Shareholders' Meeting.

2. Dividend policy

   The Company is still in the growth stage. If more than 5% of the total surplus is determined to be distributed as dividends, it shall be distributed in form of cash and the rest will be distributed in the form of shares.

3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.

4. (1) In accordance with the regulations, the Company shall set aside special surplus reserve from the debit balance on other equity items on the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) At the initial adoption of IFRSs, the Company appropriates a special reserve according to Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes or reclassifies the relevant assets, it reverses the proportion of the original special reserve. If the aforementioned related assets are investment properties, the part of the land will be reversed during the disposal or reclassification, and the part other than land will be reversed during the period of use.

5. The Company passed the motion of the distribution of 2017 profit at the Board Meeting on March 22, 2018. It is proposed to appropriate NT$86,517 as a legal reserve and distribute cash dividends of NT$571,518 at NT$2 per share. Such surplus distribution was approved at the Shareholders' Meeting on June 14, 2018.

6. The Company passed motion to distribute NT$68,929 by cash from capital surplus, at NT$0.24121454 per share at the Board Meeting on March 22, 2018. The aforementioned distribution of 2017 capital surplus was passed by the Shareholders’ Meeting on June 14, 2018.

7. The Company passed the motion of the distribution of 2018 profit at the Board Meeting on March 18, 2019. It is proposed to appropriate NT$70,651 as a legal reserve and distribute cash dividends of NT$428,638 at NT$1.5 per share. Such surplus distribution was approved at the Shareholders' Meeting on June

13, 2019.

8. The Company passed the motion of the distribution of 2019 profit at the Board Meeting on March 20, 2020. It is proposed to appropriate NT$49,804 as a legal reserve and distribute cash dividends of NT$285,759 at NT$1 per share. The aforementioned surplus distribution has not been approved at the Shareholders' Meeting.

(XIX) Operating income

	2019	2018
Revenue from customers contracts	$ 11,964,770	$ 11,491,609

1. Disaggregation of revenue from customer contracts

The Company derives revenue from the transfer of goods over time and at a point in time in the following major product lines and geographical regions:

2019	Domestic	Asia	Others	Total
Integrated circuit	$5,145,958	$6,633,214	$ 185,598	$11,964,770

2018	Domestic	Asia	Others	Total
Integrated circuit	$5,004,235	$6,272,685	$ 214,689	$11,491,609

2. Contract liabilities

The contract liabilities in relation to contract with customers recognized by the Company are as follows:

	2019.12.31	2018.12.31	Jan. 1, 2018
Contract liabilities – advance from customers	$ 3,949	$ 2,440	$ 10,494

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	2019	2018
Contract liabilities – Advanced from customers	$ 2,405	$ 9,095

(XX) Other revenue

	2019	2018
Interest income:		
Interest from bank deposits	$ 24,706	$ 28,403
Interest income from financial assets at amortized cost	1,982	638
Other interest incomes	1,291	1,154
Total interest income	27,979	30,195
Dividend income	11,498	9,828
Rent income	6,532	6,039
Other income – Others	32,688	31,210
	$ 78,697	$ 77,272

(XXI) Other gains or losses

	2019	2018
Net profit (loss) on foreign exchange	($ 23,019)	$ 41,928
Loss on financial assets measured at fair value through profit or loss	(19,145)	(41,577)
Impairment losses	(12,057)	(25,047)
Other expenses	(970)	(1,199)

	($ 55,191)	($ 25,895)

(XXII) Financial costs

	2019	2018
Interest expenses:		
Borrowings from banks	$ 5,340	$ 3,353
Provisions - Discount amortization	1,291	1,181
Lease liabilities	1,075	-
Total interest expenses	7,706	4,534
Others	1,009	347
	$ 8,715	$ 4,881

(XXIII) Additional information on the nature of these expenses

	2019	2018
Employee benefits expenses	$ 841,063	$ 892,709
Depreciation expenses of property, plant, and equipment	382,730	393,173
Depreciation expenses of right-of-use assets	8,393	-
Depreciation expenses of investment property	970	728
Amortization expenses of intangible assets	84,226	82,195
	$ 1,317,382	$ 1,368,805

(XXIV) Employee benefits expenses

	2019	2018
Salaries and wages	$ 744,290	$ 800,704
Labor insurance and national health insurance	46,474	42,897
Pension expenses	28,641	27,025
Remuneration to Directors	7,326	8,499
Other personnel cost	14,332	13,584
	$ 841,063	$ 892,709

1. Pursuant to the Articles of Incorporation, the Company shall set side no less than 5% as remuneration to employees and 1% as remuneration to Directors and Supervisors from the net profit before tax minus the amount of distributed employee remuneration, and Director and Supervisor remuneration.
2. For the years ended December 31, 2019, and 2018, the Company recognized remuneration to employees in the amounts equal to NT$29,970 and NT$44,457, respectively, and remuneration to Directors and Supervisors in the amounts equal to NT$5,994 and NT$8,891 respectively, all presented under payroll expense.

   In 2018, it is estimated to allocate 5% and 1%, respectively, depending on the earnings.
3. Employees' remuneration and Directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2018 were equal to the amount recognized in the financial statements for the year ended December 31, 2018.

4. Information on the remunerations for employees and Directors and Supervisors which were approved by the Board of Directors of the Company can be obtained from the Market Observation Post System (MOPS).

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2019	2018
Current income tax:		
Income tax incurred in current period	$ 50,682	$ 136,600
Additional tax on undistributed earnings	10,378	1,468
Prior year income tax over/underestimation	316	(3,488)
Total income tax in the period	61,376	134,580
Deferred income tax:		
Initial recognition and reversal of temporary differences	4,652	(5,297)
Deferred tax	4,652	(5,297)
Income tax expenses	$ 66,028	$ 129,283

(2) Income tax amounts associated with other comprehensive income: None.

(3) Income tax amounts directly debited or credited to equity: None.

2. Reconciliation between income tax expense and accounting profits:

	2019	2018
Income tax expense at the statutory rate	$ 112,686	$ 167,158
Expenses which shall be excluded in accordance with the provisions of the tax law	-	15,243
Tax exempted income by tax regulation	(1,479)	-
Tax effects from alternative minimum tax	3,870	11,552
Prior year income tax over/underestimation	316	(3,488)
Tax effects of tax-exempt income	(36,730)	(102,403)
Tax effect of temporary differences	(23,013)	39,753
Additional tax on undistributed earnings	10,378	1,468
Income tax expenses	$ 66,028	$ 129,283

3. The amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
— Temporary differences:				
Doubtful debt expenses	$ 48	$ -	$ -	$ 48
Unrealized exchange losses	60	93	-	153
Losses on inventory valuation loss and obsolescence	2,545	(857)	-	1,688
Pension liability	57	4	-	61
Others	2,464	(240)	-	2,224
Subtotal	5,174	(1,000)	-	4,174
— Deferred tax liabilities:				
Unrealized exchange gains	(1,078)	(3,653)	-	(4,731)
Subtotal	(1,078)	(3,653)	-	(4,731)
Total	$ 4,096	($ 4,653)	$ -	($ 557)

	2018			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
— Temporary differences:				
Doubtful debt expenses	$ 4	$ 44	$ -	$ 48
Unrealized exchange losses	195	(135)	-	60
Losses on inventory valuation loss and obsolescence	916	1,629	-	2,545
Pension liability	45	12	-	57
Others	1,294	1,170	-	2,464
Subtotal	2,454	2,720	-	5,174
— Deferred tax liabilities:				
Unrealized exchange gains	(1,350)	272	-	(1,078)
Others	(2,305)	2,305	-	-
Subtotal	(3,655)	2,577	-	(1,078)
Total	($ 1,201)	$ 5,297	$ -	$ 4,096

4. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	2019.12.31	2018.12.31
Deductible temporary difference	$ 381,969	$ 491,508

5. The Company's businesses conforming to the "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important, and Strategic Industries" may benefit from the income tax exemption for for-profit businesses for five consecutive years (expired in December 2019).

6. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2017.

(XXVI) Earnings per share

	2019		
	After-tax amount	Weighted average number of common shares outstanding (in thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit for the period attributable to ordinary shareholders of the parent company	$ 497,405	280,133	$ 1.78
Assumed conversion of dilutive potential ordinary shares (Note)			
Remuneration to employees		1,057	
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company considering the assumed conversion of all dilutive potential ordinary stocks	$ 497,405	281,190	$ 1.77

	2018		
	After-tax amount	Weighted average number of common shares outstanding (in thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit for the period attributable to ordinary shareholders of the parent company	$ 706,508	280,133	$ 2.52
Assumed conversion of dilutive potential ordinary shares (Note)			
Remuneration to employees		1,725	
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company considering the assumed conversion of all dilutive potential ordinary stocks	$ 706,508	281,858	$ 2.51

Note: There was a antidilution effect in 2019 and 2018 due to employee share option. Thus, it is not included for calculation.

(XXVII) Supplemental cash flow information

1. Investing activities with partial cash paid:

	2019	2018
Purchase of property, plant, and equipment	$ 284,974	$ 322,833
Add: Beginning equipment payables	41,100	84,669
Less: End equipment payables	(58,026)	(41,100)
Cash paid in the period	$ 268,048	$ 366,402

2. Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Total financing liability
January 1, 2019	$ 370,000	$ 99,932	$ 81,191	$ 551,123
Changes in financing cash flows	(100,000)	(99,932)	(7,956)	(207,888)
Interest payments	-	-	(1,075)	(1,075)
Interest expenses	-	-	1,075	1,075
December 31, 2019	$ 270,000	$ -	$ 73,235	$ 343,235

	Short-term borrowings	Short-term notes and bills payable	Total financing liability
Jan. 1, 2018	$ -	$ -	$ -
Changes in financing cash flows	370,000	99,932	469,932
2018.12.31	$ 370,000	$ 99,932	$ 469,932

VII. Related-Party Transactions

(I) Names of related parties and relationship

Name	Relationship with the Company
Elite Memory Technology Inc.	Subsidiaries of the Company
CML Inc.	"
Chang Feng Investment Co., Ltd.	"
Jie Yong Investment Co., Ltd.	"
Elite Investment Services Ltd.	"
Elite Semiconductor (B.V.I.) Ltd.	"
Eon Silicon Solution (Samoa) Inc. (Note 2)	"
Eon Silicon Solutions Inc. USA	"
3R Semiconductor Technology Inc.	Sub-subsidiaries of the Company
Elite Silicon Technology Inc.	"
Elite Innovation Japan Ltd.	"
Elite Semiconductor Memory Technology (Shenzhen) Inc.	"
Elite Innovation (B.V.I.) Ltd. (Note 3)	"
Elite Semiconductor Microelectronics (Shanghai) Technology Inc. (Note 5)	"
Feeling Technology Corp. (Note 4)	The Company's Director as this company's director
Arima Lasers Corp.	The Company's subsidiary as this company's director
Canyon Semiconductor Inc.	Investee under indirect equity valuation method

Note 1: Completed the liquidation and liquidation procedures in December 2019.
Note 2: Completed dissolution and liquidation in September 2019.
Note 3: Completed the dissolution and liquidation procedures in September 2019.
Note 4: No longer an affiliate since May 1, 2018.
Note 5: Completed company registration on November 27, 2019.

(II) Significant transactions with related parties

1. Operating income

	2019	2018
Sales of products:		
- Subsidiaries	$ 71	$ 290
- Associates	5,789	7,483
	$ 5,860	$ 7,773

There are no significant differences between trading transaction price, collection conditions, and non-affiliates.

2. Other transactions

	2019	2018
Other revenue - Service income		
- Subsidiaries	$ 25,177	$ 15,577
R&D expenses		
- Subsidiaries	$ 65,336	$ 51,588

3. Other receivables

	2019.12.31	2018.12.31
Other receivables from related parties:		
- Subsidiaries	$ 296	$ 7,943

(III) Remuneration to key management

	2019	2018
Salary and other short-term employees' benefits	$ 36,572	$ 41,282
Benefits after retirement	432	432
	$ 37,004	$ 41,714

VIII. Pledged Assets

Assets pledged as collateral by the Company are enumerated as follows:

	Carrying amount		
Assets	2019.12.31	2018.12.31	Purpose of pledge item
Time deposits (listed in “other current assets”)	$ 3,969	$ 2,267	Guarantee for the land leased

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

1. Operating lease

Applicable for the annual periods beginning on or after January 1, 2018

The Company's leases of land, plant and office are non-cancellable business lease agreements. Most lease agreements can be renewed at the market price at the end of the lease term. Future minimum lease payments arising from non-cancellable operating leases are stated as follows:

	2018.12.31
Less than 1 year	$ 9,067
Later than 1 year and no later than 5 years	8,083
Over 5 years	9,867
	$ 27,017

2. Unused letters of credit issued

Unused letters of credit issued due to purchases

	2019.12.31	2018.12.31
Unused letters of credit issued	$ -	$ 18,806

X. Significant Disaster Losses

None.

XI. Significant Events after the End of the Financial Reporting Period

The allocation of profit has been approved at the Board Meeting on Mar. 20, 2020. Please refer to Note 6 (19) for details.

XII. Others

(I) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Company plans working capital, research and development expenses and dividends to safeguard the Company’s ability to continue as a going concern and to maintain an optimal capital structure, so as to provide returns for shareholders.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or cash to shareholders, or repurchase shares.

The Company's debt-to-capital ratios as at December 31, 2019 and 2018 are stated as below:

	2019.12.31	2018.12.31
Total asset value	$ 10,478,733	$ 10,335,148
Total liabilities	(3,017,273)	(2,979,800)
Total equity	$ 7,461,460	$ 7,355,348
Debt-to-capital ratio	40%	41%

(II) Financial Instruments

1. Categories of financial instruments

	2019.12.31	2018.12.31
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 150,841	$ 210,901
Financial assets at fair value through other comprehensive income		
Designated equity instrument investment	$ 25,388	$ 29,650
Financial assets measured at cost after amortization		
Cash and cash equivalents	$ 1,817,377	$ 829,308
Financial assets measured at cost after amortization - current	140,906	-
Notes receivable	34	-
Accounts Receivable	1,160,173	1,059,404
Other receivables	79,745	71,929
Time deposits (listed in other current assets)	3,969	2,267
Refundable deposits (listed in other noncurrent assets)	4,494	4,834
	$ 3,206,698	$ 1,967,742
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	$ 270,000	$ 370,000
Short-term notes and bills payable	-	99,932
Notes payable	1,890	1,800
Accounts payable	2,134,680	1,850,943
Other payables	450,874	487,212
Deposits received (listed in other noncurrent liabilities)	10,067	9,957
	$ 2,867,511	$ 2,819,844
Lease liabilities	$ 73,235	$ -

2. Risk management policies

(1) The Company conducts overall risk management and control system to verify, measure and control all kinds of risks (including market risk, credit risk, liquidity risk, and cash flow risk), which allows the management level to effectively control and measure market risk, credit risk, liquidity risk, and cash flow risk.

(2) The Company’s management can effectively control market risk in order to lower the risk, maintain appropriate liquidity position and centralized management of all market risks, with consideration to economic environment,

competition and market value risk under the influence to achieve optimal risk purpose.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

A. The Company operates internationally and is exposed to foreign exchange risk arising from various functional currency exposures, primarily with respect to the USD and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

B. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure through the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company uses natural hedging through the finance department. The foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in foreign currencies other than the entity's functional currency.

C. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD) and are thus affected by the exchange rate fluctuation. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	2019.12.31		
(Foreign currency: Functional currency)	Foreign currency (thousand)	Exchange rate	Book value (NT$1,000)
Financial assets			
Monetary items			
USD: NTD	$ 97,806	29.980	$ 2,932,224
Financial liabilities			
Monetary items			
USD: NTD	$ 45,751	29.980	$ 1,371,615

	2018.12.31		
(Foreign currency: Functional currency)	Foreign currency (thousand)	Exchange rate	Book value (NT$1,000)
Financial assets			
Monetary items			
USD: NTD	$ 63,830	30.715	$ 1,960,538
Financial liabilities			
Monetary items			
USD: NTD	$ 36,989	30.715	$ 1,136,117
JPY: NTD	7,933	0.278	2,207

E. The total exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to (NT$23,019) and NT$41,928 respectively.

F. The foreign currency market risks of the Company due to material exchange rate fluctuations are analyzed as follows:

	2019			
	Sensitivity analysis			
(Foreign currency: Functional currency)	Range of change	Effect on (loss) profit		Effected on other comprehensive (loss) profit
Financial assets				
Monetary items				
USD: NTD	1%	$	29,322	$ -
Financial liabilities				
Monetary items				
USD: NTD	1%	($	13,716)	$ -

	2018			
	Sensitivity analysis			
(Foreign currency: Functional currency)	Range of change	Effect on (loss) profit		Effected on other comprehensive (loss) profit
Financial assets				
Monetary items				
USD: NTD	1%	$	19,605	$ -
Financial liabilities				
Monetary items				
USD: NTD	1%	($	11,361)	$ -
JPY: NTD	1%	(	22)	-

Price risk

A. The Company's equity instruments exposed to price risk are those financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

B. The Company primarily invests in equity instruments and open-end funds issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments increased or decreased by 10%, while all other factors remained unchanged, the net profit after tax for the year ended December 31, 2019 and 2018 would have increased or decreased by NT$15,084 and NT$21,090, respectively, measured at fair value through profit and loss. The gain or loss of the other comprehensive income which was classified to the equity investment at fair value through other comprehensive income would have increased or decreased by NT$2,539 and NT$2,965, respectively.

Cash flow and fair value interest rate risk

The Company's interest rate risk is mainly from short-term borrowings and short-term notes. Borrowings with floating interest rates expose the

Company to cash flow interest rate risks, of which a majority portion is offset by the cash and cash equivalents held with floating interest rates. Borrowings with floating interest rates expose the Company to cash flow interest rate risks, of which a portion is offset by the cash and cash equivalents held with floating interest rates. The borrowing period of the Company at floating rates is shorter than one year. Therefore, there is no significant risk of interest rate changes after evaluation.

(2) Credit risk

A. The Company's credit risk is the risk of financial loss to the Company due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, which are mainly resulted from the failure of the counterparty to pay off accounts receivable payable on the terms of collection, and the contractual cash flow of the asset instrument investment measured at amortized cost, and debt instruments at fair values through profit or loss.

B. The Company manages its credit risk in consideration of the entire company's concern. Banks and financial institutions only accept organizations with good credit ratings as their trade counterparties. According to the Company’s credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are based on internal or external ratings, and the use of credit limits is regularly monitored.

C. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

D. The Company adopted the following assumptions under IFRS 9 to judge whether there is any evidence that the credit risk of financial instruments has been significantly increased after initial recognition.

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

E. The indicators used by the Company to determine credit impairment on debt instrument investments are as follows:

(A) It becomes probable that the issuer will enter bankruptcy or other financial re-organization due to their financial difficulties;

(B) The disappearance of an active market for that financial asset because of financial difficulties;

(C) Default or delinquency in interest or principal repayments;

(D) Adverse changes in national or regional economic conditions that are expected to cause a default.

F. After recourse procedures, the Company reverses the amount of financial assets that cannot be reasonably expected to be recovered. However, the Company will continue to pursue legal procedures for recourse in order to preserve the rights of claims.

G. The financial assets held by the Company and measured at amortized cost are time deposits, bonds with repurchase agreements and restricted time deposits held in banks. The credit ratings of these banks are good, and there has been no overdue in the past. Considering that there are no major changes in the overall economic environment, the Company assesses that the risk of credit losses is extremely low and the amount of impact on the financial statements is not significant.

H. For the aging analysis of customers' accounts receivable and collateral information, please refer to Note 6 (4). Considering the Company's right to request collateral or other guarantees from major transaction partners, the Company categorizes customers' accounts receivable according to the characteristics of the collateral. The Company uses a simplified approach to estimate expected credit losses based on the loss rate method. Based on this assessment, the reserve losses to be recognized by the Company as of December 31, 2019 and 2018 were minimal.

I. Changes in loss allowance for accounts receivables using the simplified approach are stated as follows:

	2019	2018
January 1	$ 4,289	$ -
Impairment losses	10,006	4,289
December 31	$ 14,295	$ 4,289

(3) Liquidity risk

A. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company's finance department. The finance department monitors the cash forecast to ensure that the Company's funds are adequate to finance its operations.

B. The Company's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds.

C. The following table reflects the non-derivative financial liabilities of the Company and the derivative financial liabilities delivered in net or total amount grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

2019.12.31	Within 1 year	1 to 5 years	Over 5 years
Short-term borrowings	$ 270,000	$ -	$ -
Notes payable	1,890	-	-
Accounts payable	2,134,680	-	-
Other payables	450,874	-	-
Lease liabilities	7,760	19,411	56,605

Derivative financial liabilities: None.

Non-derivative financial liabilities:

2018.12.31	Within 1 year	1 to 5 years	Over 5 years
Short-term borrowings	$ 370,000	$ -	$ -
Short-term notes and bills payable	100,000	-	-
Notes payable	1,800	-	-
Accounts payable	1,850,943	-	-
Other payables	487,212	-	-

Derivative financial liabilities: None.

(III) Fair value information

1. The table below analyzes financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

   Level I. It refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment). A market is regarded active when a market where transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the investment in TWSE/TPEx-listed shares or emerging shares, beneficiary certificates and debt securities of the Company are included in this category.

   Level II. It refers to other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

   Level III. It refers to unobservable inputs for the asset or liability. The fair value of the Company’s equity investment without active market is included in this category.

2. The information relating to the fair value of investment property at cost is provided in Note 6 (9).

3. The face values of the Company's financial instruments not measured at fair value are reasonable approximations of their fair values, including cash and cash equivalents, time deposits (over three months), notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, notes payable, other payables, lease liabilities (including current and non-current), and guarantee deposits received.

4. The Company categorizes financial and non-financial instruments measured at fair value on the basis of the nature, characteristics, and risks of the assets and liabilities.

The related information is as follows:

(1) The Company classifies assets and liabilities on the basis of its nature. Related information is provided below:

2019.12.31	Level I	Level II	Level III	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ 63,257	$ -	$ -	$ 63,257
Beneficiary certificates	53,488	-	-	53,488
Debt securities	34,096	-	-	34,096
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	25,388	25,388
	$ 150,841	$ -	$ 25,388	$ 176,229

Financial liabilities: None.

2018.12.31	Level I	Level II	Level III	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ 128,568	$ -	$ -	$ 128,568
Beneficiary certificates	50,986	-	-	50,986
Debt securities	31,347	-	-	31,347
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	29,650	29,650
	$ 210,901	$ -	$ 29,650	$ 240,551

Financial liabilities: None.

(2) The methods and assumptions the Company used to measure fair value are as follows:

A. The Company adopts market quoted prices as their fair values (i.e., Level 1). The following are the instruments listed by characteristics:

	TWSE/TPEx-listed and emerging stocks	Open-end fund
Market quoted price	Closing price	Net value

B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the standalone balance sheet date.

C. Outputs from valuation models are estimates and valuation techniques may not be able to reflect all the relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted according to additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the standalone balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

5. For 2019 and 2018, there was no transfer between Level I and Level II.
6. The following table presents changes in Level III in 2019 and 2018:

	Equity securities	
	2019	2018
January 1	$ 29,650	$ -
Acquisition for the period	-	29,650
Evaluation adjustment	(4,262)	-
December 31	$ 25,388	$ 29,650

7. The financial instrument evaluation team of the Company’s Risk Management Department is responsible for independent fair value verification. The data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, and representing executable prices, and regularly calibrate and evaluate the valuation model, performing backtracking tests, updating the input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.
8. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2019 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted-average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	$ 25,388	Comparable company analysis	Discount for lack of marketability	40%	Insufficient market liquidity; the higher the discount, the lower the fair value

	December 31, 2018 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted-average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	$ 29,650	Recent transaction price	N/A	N/A	N/A

XIII. <u>Supplementary Disclosures</u>

(I) <u>Information on significant transactions:</u>

1. Financings provided: None.
2. Endorsements/guarantees provided to others: None.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures): Please refer to Appendix Table 1.
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None.
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. The amount of purchase and sales with related parties amounts to NT$100 million or more than 20% of the paid-up capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Derivative financial instrument transactions: None.
10. Significant inter-company transactions during the reporting periods: None.

(II) Information on investees

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): Please refer to Appendix Table 2 for details.

(III) Information regarding investment in the territory of Mainland China

1. Information on investees in mainland China: The establishment of Shenzhen and Shanghai branch offices of the Company’s investee under equity method, Elite Semiconductor (B.V.I.) Limited has been approved by Investment Commission of the Ministry of Economic Affairs on March 20, 2008 and June 18, 2009, respectively. The Shenzhen office indirectly established by the Company was approved for cancellation by the Investment Commission of the Ministry of Economic Affairs on December 4, 2018.
2. Basic information: Please refer to Appendix Table 3.
3. Significant transactions with investee companies in mainland China, either directly or indirectly through a business at third location: None.

Elite Semiconductor Memory Technology Inc.

Details of cash and cash equivalents

December 31, 2019

Table 1 Unit: NTD thousand

Items	Summary	Amount
Petty cash		$ 115
Bank deposits		
Demand deposits - NTD		170,371
- Foreign currencies	USD 5,539,428.41 Exchange rate: 29.98	166,072
	EUR 603.15 Exchange rate: 33.59	20
	RMB 1,701,064.49 Exchange rate: 4.3039	7,321
Check deposits - NTD		7
Time deposits - Foreign currencies	USD 48,000,000 Exchange rate: 29.98	1,439,040
	RMB 8,000,000 Exchange rate: 4.3039	34,431
Total		$ 1,817,377

Elite Semiconductor Memory Technology Inc.

Details of Accounts Receivable

December 31, 2019

Table 2 Unit: NTD thousand

Customer names	Summary	Amount	Remarks
General customers:			
1. WT Microelectronics Co., Ltd.		$ 264,073	
2. Realtek Semiconductor Corp.		166,010	
3. AVT International Ltd.		119,767	
4. Huawei Device Co., Ltd.		77,777	
5. TP-Link Technologies Co., Ltd.		66,174	
Others		480,667	Balance of each individual customer in this category has not exceeded 5% of the total balance of this accounting title
		1,174,468	
Less: Allowance for losses		(14,295)	
		$ 1,160,173	The amount of receivables over 1 year is NT$0.

Elite Semiconductor Memory Technology Inc.

Details of Inventories

December 31, 2019

Table 3 Unit: NTD thousand

Items	Summary	Amount: Cost	Amount: Net realizable value	Remarks
Raw materials		$ 156,518	$ 196,833	Net realizable value at the market price
Work in process		4,013,286	4,707,610	Net realizable value at market price
Finished goods		963,140	984,299	Net realizable value at market price
Inventory in transit		4,342	4,342	
		5,137,286	$ 5,893,084	
Less: Allowance for valuation and obsolescence loss		(168,762)		
		$ 4,968,524		

Elite Semiconductor Memory Technology Inc.

Details of Changes in Investments under Equity Method

January 1 to December 31, 2019

Table 4 Unit: NTD thousand

Name	Beginning balance: Number of shares	Beginning balance: Amount	Increase in current period (Note 1): Number of shares	Increase in current period (Note 1): Amount	Decrease in current period (Note 2): Number of shares	Decrease in current period (Note 2): Amount	Ending balance: Number of shares	Ending balance: Ratio of shareholding	Ending balance: Amount	Market value or net equity: Unit price	Market value or net equity: Total price	Valuation basis	Endorsements and guarantees provided	Remarks
Elite Memory Technology Inc.	100,000	$ 22,583	-	$ 17,396	-	($ 9,800)	100,000	100%	$ 0,179	$ 302	$ 30,179	Equity method	None	
Chang Feng Investment Co., Ltd.	50,000,000	375,444	-	35,655	-	(16,429)	50,000,000	100%	394,670	8	394,670	Equity method	None	
CML Inc.	50	61,705	-	-	(50)	(61,705)	-	-	-	-	-	Equity method	None	
Elite Investment Services Ltd.	15	637,559	-	-	-	(9,838)	15	100%	627,721	41,848,067	627,721	Equity method	None	
Elite Semiconductor (B.V.I.) Ltd.	500	28,055	500	19,389	-	(20,817)	1,000	100%	26,627	26,627	26,627	Equity method	None	
Jie Yong Investment Co., Ltd.	3,600,000	149,932	-	8,439	-	(11,362)	3,600,000	41.86%	147,009	41	147,009	Equity method	None	
Eon Silicon Solution (Samoa) Inc.	990,000	3,147	-	-	(990,000)	(3,147)	-	-	-	-	-	Equity method	None	
Eon Silicon Solutions Inc. USA	200,000	(287)	-	-	-	(883)	200,000	100%	(1,170)	(6)	(1,170)	Equity method	None	
		$1,278,138		$ 80,879		($133,981)			$1,225,036		$1,225,036			

Note 1: The increase or decrease in the current period includes cumulative translation adjustments, adjustments for changes in value of investment and shares held by subsidiaries.

Elite Semiconductor Memory Technology Inc.

Details of changes in property, plant, and equipment

January 1 to December 31, 2019

Table 5 Unit: NTD thousand

Items	Beginning balance	Increase in current period	Decrease in current period	Transfers in current period	Ending balance	Endorsements and guarantees provided	Remarks
Land	$ 9,023	$ -	$ -	$ -	$ 9,023	None	
Houses and buildings	615,250	20,691	-	-	635,941	“	
Machinery equipment	393,787	35,907	-	-	429,694	“	
Utility equipment	14,208	-	-	-	14,208	“	
Laboratory equipment	181,379	69,265	-	-	250,644	“	
Transport equipment	2,233	-	-	-	2,233	“	
Office equipment	34,378	5,025	-	-	39,403	“	
Other equipment	1,018,552	154,086	-	-	1,172,638	“	
	$ 2,268,810	$ 284,974	$ -	$ -	$ 2,553,784		

Elite Semiconductor Memory Technology Inc.

Details of Changes in Depreciation Expenses of Property, Plant, and Equipment

January 1 to December 31, 2019

Table 6 Unit: NTD thousand

Items	Beginning balance	Increase in current period	Decrease in current period	Transfers in current period	Ending balance	Remarks
Houses and buildings	($ 332,185)	($ 32,703)	$ -	$ -	($ 364,888)	
Machinery equipment	(313,872)	(38,666)	-	-	(352,538)	
Utility equipment	(11,827)	(732)	-	-	(12,559)	
Laboratory equipment	(128,711)	(19,780)	-	-	(148,491)	
Transport equipment	(1,688)	(171)	-	-	(1,859)	
Office equipment	(20,012)	(5,157)	-	-	(25,169)	
Other equipment	(667,692)	(285,521)	-	-	(953,213)	
	($ 1,475,987)	($ 382,730)	$ -	$ -	($ 1,858,717)	

Elite Semiconductor Memory Technology Inc.

Details of Accounts Payable

December 31, 2019

Table 7 Unit: NTD thousand

Customer names	Summary	Amount	Remarks
General customers:			
Powerchip Semiconductor Manufacturing Corporation		$1,224,444	
ChipMOS Technologies Inc.		260,860	
Siliconware Precision Industries Co., Ltd.		194,084	
Others		5,29452	Balance of each individual supplier in this category has not exceeded 5% of the total balance of this accounting title
		$2,134,680	

Elite Semiconductor Memory Technology Inc.

Details of Operating Income

January 1 to December 31, 2019

Table 8 Unit: NTD thousand

Items	Quantity	Amount	Remarks
Sales revenue	1,359,501 thousand	$ 12,003,092	
Less: Sales returns and allowances	(1,675) thousand	(38,322)	
Net sales revenue		$ 11,964,770	

Elite Semiconductor Memory Technology Inc.

Details of Operating Costs

January 1 to December 31, 2019

Table 9 Unit: NTD thousand

Items	Amount
Direct material	
Beginning raw materials	$ 456,550
Add: Raw material purchased	2,743,973
Less: Transferred expenses	(1,512)
Ending raw materials	(156,518)
Material consumption	3,042,493
Direct labor cost	30,340
Manufacturing overhead	2,354,214
Manufacturing cost	5,427,047
Work in process - Beginning	4,150,475
Add: Work in process purchased	4,243,095
Less: Transferred expenses	(2,409)
Work in process - Ending	(4,013,286)
Cost of finished goods	9,804,922
Add: Finished goods - Beginning	1,406,889
Finished goods purchased	27,124
Transferred from expenses	33,146
Less: Transferred expenses	(4,753)
Finished goods - Ending	(963,140)
Others	(18,684)
Total cost of goods sold	10,285,504
Employee performance bonuses	14,835
Remuneration to employees	4,239
Scraps	731
Losses on inventory valuation and reversal gain on obsolescence	(85,588)
Total operating costs	$ 10,219,721

Elite Semiconductor Memory Technology Inc.

Details of Manufacturing Overhead

January 1 to December 31, 2019

Table 10 Unit: NTD thousand

Items	Summary	Amount	Remarks
Processing expenses		$ 1,868,145	
Other expenses		486,069	The amount of each individual item has not exceeded 5% of the amount of this accounting title.
Total		$ 2,354,214	

Elite Semiconductor Memory Technology Inc.

Details of Selling Expenses

January 1 to December 31, 2019

Table 11 Unit: NTD thousand

Items	Summary	Amount	Remarks
Salary and wages		$ 98,505	
Import/Export expenses		24,748	
Commission expenses		11,238	
Other Expenses		65,936	Balance of each individual item has not exceeded 5% of the total balance of this accounting title
Total		$ 200,427	

Elite Semiconductor Memory Technology Inc.

Details of Administrative Expenses

January 1 to December 31, 2019

Table 12 Unit: NTD thousand

Items	Summary	Amount	Remarks
Salary and wages		$ 149,793	
Labor cost		15,304	
Depreciation expenses		14,186	
Other expenses		49,470	Balance of each individual item has not exceeded 5% of the total balance of this accounting title
Total		$ 228,753	

Elite Semiconductor Memory Technology Inc.

Details of R&D Expenses

January 1 to December 31, 2019

Table 13 Unit: NTD thousand

Items	Summary	Amount	Remarks
Salary and wages		$ 396,340	
R&D expenses		73,889	
Amortization expenses		73,583	
Depreciation expenses		47,605	
Other Expenses		135,547	Balance of each individual item has not exceeded 5% of the total balance of this accounting title
Total		$ 726,964	

Elite Semiconductor Memory Technology Inc.

Summary of employee benefits, depreciation, and amortization expenses by functions for the current period

January 1 to December 31, 2019

Table 14

Unit: NTD thousand

Functions / Type	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries and wages	108,164	636,126	744,290	124,596	676,108	800,704
Labor insurance and national health insurance	7,713	38,761	46,474	7,566	35,331	42,897
Pension expenses	4,241	24,400	28,641	4,184	22,841	27,025
Remuneration to Directors	-	7,326	7,326	-	8,499	8,499
Other employee benefits expenses	2,680	11,652	14,332	2,704	10,880	13,584
Depreciation expenses	319,874	72,219	392,093	320,353	73,548	393,901
Amortization expenses	8,404	75,822	84,226	6,336	75,859	82,195

Note:

1. In the current year and previous year, the Company has 451 and 431 employees, respectively, and there are 4 and 2 Directors that do not hold positions in the Company, respectively.

2. For companies whose shares are listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx), the following information should also be disclosed:

(1) The average employee benefits expense for the current year is NT$1,865 = [(Total employee benefit expenses for the current year - Total Directors' remuneration) / (Number of employees for the current year - Number of Directors who are not part-time employees)].

The average employee benefits expense for the previous year was NT$2,061 = [(Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who are not part-time employees)].

(2) The average employee salary expense for the current year is N $1,665 = [Total salary expenses for the current year / (Number of employees for the current year - Number of Directors who are not part-time employees)].

The average employee salary expense for the previous year was NT$1,866 = [Total salary expenses for the current year / (Number of employees for the previous year - Number of Directors who are not part-time employees)].

(3) The rate of adjustment in average salary expenses was -11% = [(Average salary expense for the current year - Average salary expense for the previous year) / Average salary expense for the previous year].

Elite Semiconductor Memory Technology Inc.
Securities held at the end of the period
December 31, 2019

Appendix table 1

Unit: NTD thousand
(Unless otherwise indicated)

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting titles in statements	At the end of the period				Remarks
				Number of shares	Book value (Note)	Ratio of shareholding	Fair value	
Elite Semiconductor Memory Technology Inc.	Shares of Arima Lasers Corp.	Company's subsidiary as this company's director	Financial assets at fair value through profit and loss	3,455,000	$ 62,881	13.81	$ 62,881	
Elite Semiconductor Memory Technology Inc.	Shares of King Yuan Electronics Co., Ltd.	None	Financial assets at fair value through profit and loss	10,000	376	0.00	376	
Elite Semiconductor Memory Technology Inc.	HSBC FRN Perpetual Bond	None	Financial assets at fair value through profit and loss	1,000,000	23,285	N/A	23,285	
Elite Semiconductor Memory Technology Inc.	ANZ FRN Perpetual Bond	None	Financial assets at fair value through profit and loss	500,000	10,811	N/A	10,811	
Elite Semiconductor Memory Technology Inc.	BGF Renminbi Bond Fund	None	Financial assets at fair value through profit and loss	127,986	53,488	N/A	53,488	
Elite Semiconductor Memory Technology Inc.	Preference share of Turning Point Lasers Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	25,388	8.06	25,388	
Elite Investment Services Ltd.	USD preference share - HSBC bond	None	Financial assets at fair value through profit and loss	20,000	15,590	N/A	15,590	
Elite Investment Services Ltd.	HSBC RQFII China Fixed Income Fund	None	Financial assets at fair value through profit and loss	600,000	30,916	N/A	30,916	
Chang Feng Investment Co., Ltd.	Shares of King Yuan Electronics Co., Ltd.	None	Financial assets at fair value through profit and loss	10,000	376	0.00	376	
Chang Feng Investment Co., Ltd.	Shares of AP Memory Technology Corp.	None	Financial assets at fair value through profit and loss	11,124	969	0.02	969	
Chang Feng Investment Co., Ltd.	Shares of Arima Lasers Corp.	None	Financial assets at fair value through profit and loss	907,000	16,507	3.22	16,507	
Chang Feng Investment Co., Ltd.	Shares of Ushine Photonics Corp.	None	Financial assets at fair value through profit and loss	115,519	924	0.41	924	
Chang Feng Investment Co., Ltd.	Shares of Brightek Optoelectric Co., Ltd.	None	Financial assets at fair value through profit and loss	90,601	1,293	0.15	1,293	
Chang Feng Investment Co., Ltd.	Shares of M3 Technology Inc.	None	Financial assets at fair value through profit and loss	600,000	11,007	1.63	11,007	
Chang Feng Investment Co., Ltd.	Shares of M2 Communication Inc.	None	Financial assets at fair value through profit and loss	2,000,000	9,020	7.89	9,020	
Chang Feng Investment Co., Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit and loss	1,500,000	15,150	0.05	15,150	
Chang Feng Investment Co., Ltd.	Preference shares of Turning Point Lasers Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	25,388	8.06	25,388	
Jie Yong Investment Co., Ltd.	Shares of Elite Semiconductor Memory Technology Inc.	Parent company	Financial assets at fair value through other comprehensive income	13,439,000	522,777	4.70	522,777	

Note: Financial asset evaluation adjustment and cumulative conversion adjustment are included.

Elite Semiconductor Memory Technology Inc.
Name of investee companies, location, and other relevant information (excluding investee companies in mainland China)
January 1 to December 31, 2019

Appendix table 2

Unit: NTD thousand
(Unless otherwise indicated)

Investor	Name of investee	Location	Principal businesses	Original investment amount: Current period-end	Original investment amount: End of last year	Ending shareholding: Number of shares	Ending shareholding: Ratio	Ending shareholding: Book value	Profit/loss of the investee for the period	Investment income (loss) recognized by the Company	Remarks
Elite Semiconductor Memory Technology Inc.	Elite Memory Technology Inc.	Taiwan	R&D, production, sales and relevant consulting service of integrated circuit	$ 272	$ 272	100,000	100	$ 30,179	$ 17,396	$ 17,396	
Elite Semiconductor Memory Technology Inc.	Chang Feng Investment Co., Ltd.	Taiwan	General Investment	500,000	500,000	50,000,000	100	394,670	(12,168)	(12,168)	
Elite Semiconductor Memory Technology Inc.	CML Inc.	British Virgin Islands	General Investment	-	122,215	-	-	-	(3,456)	(3,456)	Note 7
Elite Semiconductor Memory Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General Investment	449,700	449,700	15	100	627,721	(9,837)	(9,837)	
Elite Semiconductor Memory Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	British Virgin Islands	General Investment	168,401	149,900	1,000	100	26,627	(29,482)	(20,816)	Note 3
Elite Semiconductor Memory Technology Inc.	Jie Yong Investment Co., Ltd.	Taiwan	General Investment	270,000	270,000	3,600,000	41.86	147,009	19,868	(121)	
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solution (Samoa) Inc.	Samoa	Investigation and research of business situation and industrial technology	-	1,755	-	-	-	(372)	(372)	Note 4
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	The US	Design, development and testing of products	13,304	13,304	200,000	100	(1,170)	(883)	(883)	
Chang Feng Investment Co., Ltd.	3R Semiconductor Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	69,407	69,407	10,000,000	100	22,520	(600)	(600)	
Chang Feng Investment Co., Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	59,288	59,288	6,031,836	79.37	550	(16,217)	(12,817)	
Chang Feng Investment Co., Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, electronic component manufacturing, product design, and information software services	80,337	77,950	8,350,000	40.93	33,210	(35,589)	(13,194)	Note 2
Chang Feng Investment Co., Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	2,305	-	200	100	2,080	22	(226)	Note 5

Elite Semiconductor Memory Technology Inc.

Name of investee companies, location, and other relevant information (excluding investee companies in mainland China)

January 1 to December 31, 2019

Appendix table 2

Unit: NTD thousand

(Unless otherwise indicated)

				Original investment amount		Ending shareholding					
Investor	Name of investee	Location	Principal business	Current period-end	End of last year	Number of shares	Percentage	Book value	Profit/loss of the investee for the period	Investment income (loss) recognized by the Company	Remarks
CML Inc.	Elite Innovation (B.V.I) Ltd.	British Virgin Islands	General Investment	$ -	$ 93,180	-	-	$ -	($ 3,275)	($ 3,275)	Note 6
Elite Innovation (B.V.I) Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	-	2,886	-	-	-	22	204	Note 5 and 6
Elite Investment Services Ltd.	Elite Semiconductor (B.V.I.) Ltd.	British Virgin Islands	General Investment	-	155,300	-	-	-	(29,482)	(8,666)	Note 3

Note 1: The foreign currency investment amount is calculated based on the exchange rate on December 31, 2019.

Note 2: As Chang Feng Investment Co., Ltd. did not participate in Canyon Semiconductor's capital increase by the issuance of shares for cash on March 4, 2019, the shareholding ratio of Chang Feng Investment decreased from 77.95% to 38.21%. In addition, Chang Feng Investment Co., Ltd. purchased shares of Canyon Semiconductor in December 2019, increasing its percentage of shareholding from 38.21% to 40.93%.

Note 3: Elite Investment Services Ltd. sold its 50% equity in Elite Semiconductor (B.V.I.) Ltd. to Elite Semiconductor Memory Technology Inc. on June 27, 2019.

Note 4: Eon Silicon Solution (Samoa) Inc. completed the dissolution and liquidation on September 2, 2019, and sold its 100% equity in Elite Semiconductor Memory Technology (Shenzhen) Inc. to Chang Feng Investment Co., Ltd.

Note 5: Elite Innovation (B.V.I) Ltd. sold its 100% equity in Elite Innovation Japan Ltd. to Chang Feng Investment Co., Ltd. on September 17, 2019.

Note 6: Elite Innovation (B.V.I) Ltd. completed the liquidation procedures in September 2019.

Note 7: CML Inc. completed the liquidation procedures in December 2019.

Elite Semiconductor Memory Technology Inc.
Information regarding investment in the territory of Mainland China - Basic information
January 1 to December 31, 2019

Appendix table 3

Unit: NTD thousand
(Unless otherwise indicated)

Names of investees in China	Principal businesses	Paid-in capital (Note 5)	Investment methods (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period: Outward remittance	Amount of investment remitted or recovered in current period: Recover	Accumulated amount of investment remitted from Taiwan at ending	Profit/loss of the investee for the period	The Company's percentage of ownership directly or indirectly	Investment income (loss) recognized by the Company (Note 2)	Ending book value of investment	The investment income received at the end of the current period	Remarks
Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service	$ 6,219	(2)	$ -	$ -	$ -	$ -	$ 317	100	$ 317	$ 1,918	$ -	Note 4 and 6
Yi Xi Ge Ma Technology Co., Ltd.	R&D of products	-	(1)	-	-	-	-	-	-	-	-	-	Note 4 and 5
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	-	(1)	-	-	-	-	-	-	-	-	-	Note 7

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA (Note 6)	Investment amount approved by the Investment Commission MOEAIC
Elite Semiconductor Memory Technology Inc.	$ -	$ 50	$ 4,476,876

Note 1: The methods for engaging in investment in mainland China include the three following types:
(1) Direct investment in mainland China.
(2) Reinvestment in mainland China through companies in a third location.
(3) Others.
Note 2: The gain or loss on investment was recognized in the investee's financial statements audited by CPAs.
Note 3: The numbers related to this table are expressed in NTD.
Note 4: The paid-in capital is calculated based on the exchange rate on December 31, 2019.
Due to the merger with Eon Silicon Solution Inc., the Company succeeded the investees of Eon Silicon Solution Inc. The investment amount approved by the Investment Commission of MOEA of the former Eon Silicon Solution Inc. was USD 5,231 thousand.
The cancellation of this investment has been approved on August 7, 2019. On August 7, 2019, the Company obtained the revised investment approved by the Investment Commission of MOEA in Yi Xi Ge Ma Technology Co., Ltd. for USD 1. The Company has sold all its shareholdings in Yi Xi Ge Ma Technology Co., Ltd. in September 2019 and acquired the approval of the Investment Commission of MOEA on Feb. 6, 2020 and completed the cancellation of the company.
Note 6: On August 7, 2019, the Company obtained the revised investment approved by the Investment Commission of MOEA for USD 1,679.
Note 7: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established and registered on November 27, 2019. It has not applied for investment to the Investment Commission of the Ministry of Economic Affairs, and it has not yet started operation since December 31, 2019.