Elite Semiconductor Memory Technology Inc.
and its Subsidiaries

Consolidated Financial Report and
Independent Auditors' Report

For Years 2019 and 2018

(Stock No: 3006)

(English Translation of a Report Originally Issued in Chinese)

Company Address:	No. 23, Industry E Road IV Science-Base Park, Hsinchu 30077, Taiwan R.O.C
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Elite Semiconductor Memory Technology Inc. and its Subsidiaries

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

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(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc.

Declaration of Consolidated Financial Statements of Affiliated Companies

The companies included in the consolidated financial statements of Elite Semiconductor Memory Technology Inc. for the year ended 2019 (January 1, 2019 to December 31, 2019) under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical with the companies to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to IFRS 10. Furthermore, information for disclosure in the consolidated financial statements of the affiliates has also been disclosed in the aforementioned consolidated financial statements of the parent company and subsidiaries; thereby, Elite Semiconductor Memory Technology Inc. and its subsidiaries do not prepare the consolidated financial statements of the affiliates.

Hereby declared by

Company name: Elite Semiconductor Memory Technology Inc.

Person in Charge: Hsing-Hai, Chen

March 20, 2020

(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(CONSOLIDATED FINANCIAL STATEMENT)

(2020)Finance-Audit-Letter No.19003272

To Elite Semiconductor Memory Technology Inc.,

Audit Opinions

We have audited the Consolidated Balance Sheets as of December 31, 2019 and 2018 as well as the Consolidated Income Statement, Consolidated Statements of Changes in Equity, Consolidated Cash Flow Statement, and Notes to Consolidated Financial Statements for the years then ended (including the summary of major accounting policies) for Elite Semiconductor Memory Technology Inc. and its subsidiaries (hereafter "the Group").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and 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 and the International Financial Reporting Standards recognized by the Financial Supervisory Commission, International Accounting Standards, and the interpretation and interpretation announcements thereto.

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 Consolidated Financial Statements". We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Group 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 consolidated financial statements. For the accounting estimates and assumptions of the goodwill impairment assessment, please refer to Note

5(2) attached to the consolidated financial statements. For the description of goodwill impairment assessment, please refer to Note 6(11) attached to the consolidated financial statements. The Group 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 consolidated financial statements. For accounting estimates and assumptions of inventory evaluation, please refer to Note 5(2) attached to the consolidated financial statements. For the explanation of inventory accounting items, please refer to Note 6(5) attached to the consolidated financial statements. On December 31, 2019, the balance of inventories and allowance for inventory valuation losses amounted to NTD 5,141,748 thousand and NTD 169,196 thousand, respectively.

The main business items of the Group are research, development, production, manufacturing and sales of integrated circuits. The inventory of the Group 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 Group 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 Group 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.

Other Matter - Individual Financial Statements

We have audited and expressed an unmodified opinion on the Individual Financial Statements of the Group for the years ended December 31, 2019 and 2018.

Responsibility of the Management and the Governing Body for the Consolidated Financial Statements

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing the Group'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 Group or terminate the business, or has no realistic alternative but to do so.

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

Responsibilities of Certified Public Accountants for Auditing Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China 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 consolidated financial statements.

As part of an audit in accordance with GAAS of 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 consolidated 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 Group and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are 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 Group and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated 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 Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

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 Group's consolidated 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. and subsidiaries

Consolidated Balance Sheet

As of December 31, 2019 and 2018

Unit: NTD thousand

	Assets	Note	December 31, 2019			December 31, 2018		
				Amount	%		Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	2,757,003	26	$	1,873,828	18
1110	Financial assets at fair value through profit or loss - current	6(2)		252,593	3		306,374	3
1136	Financial assets at amortized cost - current			140,906	1		-	-
1150	Net notes receivable			34	-		-	-
1170	Net accounts receivable	6(4)		1,256,938	12		1,105,913	11
1200	Other receivables			82,741	1		68,540	-
130X	Inventories	6(5)		4,972,552	48		5,767,656	56
1410	Prepayments			27,444	-		81,224	1
1470	Other current assets	8		6,866	-		2,920	-
11XX	**Total current assets**			9,497,077	91		9,206,455	89
	Noncurrent assets							
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)		50,776	-		59,300	1
1550	Investments accounted for using equity method	6(6)		33,210	-		-	-
1600	Property, plant, and equipment	6(7)		696,328	7		799,062	8
1755	Right-of-use assets	6(8)		86,367	1		-	-
1760	Net investment property	6(9)		18,671	-		19,641	-
1780	Intangible assets	6(10)		81,593	1		133,975	1
1840	Deferred income tax assets	6(25)		4,174	-		5,174	-
1900	Other noncurrent assets			12,124	-		65,705	1
15XX	**Total noncurrent assets**			983,243	9		1,082,857	11
1XXX	**Total assets**		$	10,480,320	100	$	10,289,312	100

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(English Translation of a Report Originally Issued in Chinese)
Elite Semiconductor Memory Technology Inc. and subsidiaries
Consolidated 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)	$ 274,000	3	$ 370,000	4
2110	Short-term notes and bills payable		-	-	99,932	1
2130	Contract liabilities - current	6(19)	3,959	-	3,710	-
2150	Notes payable		1,981	-	2,745	-
2170	Accounts payable		2,225,909	21	1,894,371	18
2200	Other payables	6(13)	462,523	5	506,235	5
2230	Current income tax liabilities		40,046	-	130,233	1
2280	Lease liabilities - current		11,447	-	-	-
2300	Other current liabilities		6,080	-	4,454	-
21XX	**Total of current liabilities**		3,025,945	29	3,011,680	29
	Noncurrent liabilities					
2550	Liability reserve - noncurrent		15,083	-	13,791	-
2570	Deferred tax liabilities	6(25)	4,731	-	1,078	-
2580	Lease liabilities - noncurrent		75,440	1	-	-
2600	Other noncurrent liabilities	6(14)	18,342	-	18,325	1
25XX	**Total noncurrent liabilities**		113,596	1	33,194	1
2XXX	**Total liabilities**		3,139,541	30	3,044,874	30
	Equity attributable to owners of the parent company					
	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					
3400	Other equities		(8,524)	-	-	-
3500	**Treasury stock**	6(16)	(137,321)	(1)	(137,321)	(1)
31XX	**Total equity attributable to owners of the parent company**		7,461,460	71	7,355,348	71
36XX	**Non-controlling interests**		(120,681)	(1)	(110,910)	(1)
3XXX	**Total equity**		7,340,779	70	7,244,438	70
	Significant contingent liabilities and unrecognized contractual commitments	IX				
	Significant events after the balance sheet date	XI				
3X2X	**Total liabilities and equity**		$ 10,480,320	100	$ 10,289,312	100

The accompanying notes are an integral part of these consolidated 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. and subsidiaries

Consolidated 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)	$ 11,983,479	100	$ 11,555,124	100
5000	**Operating costs**	6(5)(23)(24)	(10,181,271)	(85)	(9,426,197)	(82)
5950	**Net operating gross profit**		1,802,208	15	2,128,927	18
	Operating expenses	6(23)(24)				
6100	Marketing expenses		(234,342)	(2)	(237,334)	(2)
6200	Administrative expenses		(243,035)	(2)	(252,510)	(2)
6300	Research and development expenses		(739,882)	(6)	(828,379)	(7)
6450	Expected credit impairment loss	12(2)	(10,006)	-	(4,289)	-
6000	**Total operating expenses**		(1,227,265)	(10)	(1,322,512)	(11)
6900	**Operating income**		574,943	5	806,415	7
	Non-operating income and expenses					
7010	Other revenue	6(20)	90,166	1	105,190	1
7020	Other gains and losses	6(21)	(66,895)	(1)	(58,458)	(1)
7050	Financial costs	6(22)	(8,840)	-	(4,887)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	(13,194)	-	-	-
7000	**Total non-operating income and expenses**		1,237	-	41,845	-
7900	**Profit before tax**		576,180	5	848,260	7
7950	Income tax expenses	6(25)	(70,569)	(1)	(132,066)	(1)
8200	**Net profit of current period**		$ 505,611	4	$ 716,194	6
	Other comprehensive income - net					
	Items not re-classified 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)	(8,524)	-	-	-
8300	**Other comprehensive income - net**		($ 7,888)	-	$ 337	-
8500	**Total comprehensive income of current period**		$ 497,723	4	$ 716,531	6
	Net profit (loss) attributable to:					
8610	Owners of the parent company		$ 497,405	4	$ 706,508	6
8620	Non-controlling interests		$ 8,206	-	$ 9,686	-
	Total comprehensive income attributable to:					
8710	Owners of the parent company		$ 489,517	4	$ 706,845	6
8720	Non-controlling interests		$ 8,206	-	$ 9,686	-
	Earnings per share	6(26)				
9750	**Basic earnings per share**		$ 1.78		$ 2.52	
9850	**Diluted earnings per share**		$ 1.77		$ 2.51	

The accompanying notes are an integral part of these consolidated 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. and subsidiaries
Consolidated Statement of Changes in Equity
As of December 31, 2019 and 2018

		Equity attributable to owners of the parent company										
				Retained earnings			Other equities					
	Note	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets Unrealized assets Profit or loss	Treasury stock	Total	Non-controlling interests	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	($ 107,453)	$ 7,170,141
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	(107,453)	7,170,141
Net profit of current period		-	-	-	-	706,508	-	-	-	706,508	9,686	716,194
Other comprehensive income (loss) of current period		-	-	-	-	337	-	-	-	337	-	337
Total comprehensive income of current period		-	-	-	-	706,845	-	-	-	706,845	9,686	716,531
The distribution of cash dividend from capital surplus	6(17)(18)	-	(68,929)	-	-	-	-	-	-	(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)	-	(571,518)
Recognition of effects from all equity changes in subsidiaries - cash dividends distribution of subsidiaries	6(17)	-	1,146	-	-	-	-	-	-	1,146	(9,922)	(8,776)
Recognition of effects from all equity changes in subsidiaries - effects of equity shares obtained by subsidiaries	6(17)	-	(69)	-	-	-	-	-	-	(69)	(9,338)	(9,407)
The changes in the net value of shares issued by subsidiaries not recognized in proportion to the shareholding	6(17)(27)	-	(6,117)	-	-	-	-	-	-	(6,117)	6,117	-
Adjustment to surplus reserve from dividends paid to subsidiary	6(17)	-	12,608	-	-	-	-	-	-	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	-	3,788
Balance as of December 31, 2018		$ 2,857,589	$ 59,072	$ 1,288,584	$ 194,377	$ 3,093,047	$	$	($ 137,321)	$ 7,355,348	($ 110,910)	$ 7,244,438
2019												
Balance as of January 1, 2019		$ 2,857,589	$ 59,072	$ 1,288,584	$ 194,377	$ 3,093,047	$	$	($ 137,321)	$ 7,355,348	($ 110,910)	$ 7,244,438
Net profit of current period		-	-	-	-	497,405	-	-	-	497,405	8,206	505,611
Other comprehensive income (loss)		-	-	-	-	636	(8,524)	-	-	(7,888)	-	(7,888)
Total comprehensive income of current period		-	-	-	-	498,041	(8,524)	-	-	489,517	8,206	497,723
Surplus appropriation and allocation of 2018	6(18)											
Legal reserve		-	-	70,651	-	(70,651)	-	-	-	-	-	-
Cash dividends from capital surplus		-	-	-	-	(428,638)	-	-	-	(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	(15,444)	(14,298)
Disposal of subsidiaries	6(17)	-	35,475	-	-	-	-	-	-	35,475	(2,533)	32,942
Adjustment to surplus reserve from dividends paid to subsidiary	6(17)	-	8,438	-	-	-	-	-	-	8,438	-	8,438
Changes in equity of affiliated companies and joint ventures accounted for using equity method	6(17)	-	180	-	-	-	-	-	-	180	-	180
Dividends that are not collected before the designated date shall be transferred to capital surplus.	6(17)	-	39	-	-	-	-	-	-	39	-	39
Adjustment for dividends that are not collected before the designated date	6(17)	-	(45)	-	-	-	-	-	-	(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	($ 120,681)	$ 7,340,779

The accompanying notes are an integral part of these consolidated financial statements.
Chairman: Hsing-Hai Chen Manager: Ming-Chien Chang Accounting Supervisor: Candy Ch

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and subsidiaries

Consolidated Statement of Cash Flows

As of December 31, 2019 and 2018

Unit: NTD thousand

	Note	January 1 to December 31, 2019	January 1 to December 31, 2018
Cash flow from operating activities			
Profit before tax for the period		$ 576,180	$ 848,260
Adjustments			
Profits and loss			
Depreciation expenses	6(7)(8)(9)(23)	398,674	398,733
Amortization expenses	6(10)(23)	85,108	84,132
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)	8,727	87,868
Interest expenses	6(22)	8,840	4,887
Interest income	6(20)	(49,666)	(53,476)
Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	13,194	-
Dividend income	6(20)	(26,570)	(30,622)
Impairment losses		12,057	25,047
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit and loss		(18,850)	62,474
Notes receivable		(34)	315
Accounts receivable		(161,164)	18,212
Other receivables		(15,256)	(13,461)
Inventories		795,104	(2,130,729)
Prepayments		52,384	12,355
Other current assets		(3,946)	665
Other noncurrent assets		-	1
Net changes in liabilities relating to operating activities			
Notes payable		(764)	2,448
Accounts payable		331,538	120,858
Contract liabilities		388	3,710
Other payables		(54,781)	35,598
Other current liabilities		1,742	(10,240)
Other noncurrent liabilities		384	385
Cash inflow (outflow) generated from operating activities		1,963,295	(528,291)
Interest received		50,064	51,839
Interest paid		(7,837)	(3,359)
Income tax paid		(156,102)	(117,098)
Cash inflow (outflow) from operating activities		1,849,420	(596,909)

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Elite Semiconductor Memory Technology Inc. and subsidiaries

Consolidated Statement of Cash Flows

As of December 31, 2019 and 2018

Unit: NTD thousand

Cash flow from investing activities	Note	January 1 to December 31, 2019	January 1 to December 31, 2018
Proceeds from repayment of financial assets at amortized cost		($ 140,906)	$ 322,904
Financial assets at fair value through other comprehensive income		-	(59,300)
Disposal of financial assets at fair value through profit and loss		63,905	-
Acquisition of investment under equity method		(2,387)	-
Acquisition of property, plant and equipment	6(28)	(268,041)	(369,304)
Decrease (increase) in equipment prepayment		52,996	(56,786)
Acquisition of intangible assets	6(10)	(44,783)	(89,085)
Cash outflows from disposal of subsidiaries		(11,607)	-
Decrease (increase) in guarantee deposits paid		185	(1,439)
Dividends received		26,570	30,622
Net cash outflow from investing activities		(324,068)	(222,388)
Cash flow from financing activities			
Increase (decrease) in short-term notes and bills payable		(99,417)	99,932
Increase (decrease) in short-term loans		(96,000)	370,000
Repayment of the principal amount of lease liabilities	6(28)	(12,525)	-
Increase in deposits received		269	99
Cash dividend paid	6(18)	(428,638)	(640,447)
Cash dividends distributed by subsidiaries to non-controlling interest		(14,298)	(8,776)
Cash dividends received by subsidiaries from the parent company		8,438	12,608
Non-controlling equity obtained by subsidiaries		-	(9,407)
Dividends that are not collected before the designated date		39	3,788
Payment of dividends that are not collected before the designated date		(45)	-
Net cash outflows from financing activities		(642,177)	(172,203)
Increase (decrease) in cash and cash equivalents		883,175	(991,500)
Beginning balance of cash and cash equivalents	6(1)	1,873,828	2,865,328
Ending balance of cash and cash equivalents	6(1)	$ 2,757,003	$ 1,873,828

The accompanying notes are an integral part of these consolidated 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. and its Subsidiaries

Notes to the Consolidated 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 and its subsidiaries (hereinafter referred to as “the Group”) include 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 Consolidated Financial Statements

The consolidated financial statements were approved and issued on March 20, 220, 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”	Jan. 1, 2019
IFRS 16 “Leases”	Jan. 1, 2019
Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement”	Jan. 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures”	Jan. 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments”	Jan. 1, 2019
Annual Improvements to IFRS 2015-2017	Jan. 1, 2019

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

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 Group 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$105,090 and lease liabilities by NT$105,090.
3. Upon initial adoption of IFRS 16, the Group adopts the following practical expedients:
   (1) 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.
   (2) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (3) The use of hindsight in determining the lease term where the contract contains options to extend to terminate the lease.
4. The Group applied the Group's incremental borrowing rate to calculate the present value of lease liabilities. The interest rate ranged between 1.50% and 1.52%.
5. The Group 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 at December 31, 2018	$ 60,825
Add: Adjustment for reasonable evaluation of lease renewal right	56,705
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019	$ 117,530
The Group's incremental borrowing rate as at the initial application date	1.50%～1.52%
Lease liability recognized pursuant to IFRS 16 as at January 1, 2019	$ 105,090

(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 in Interest Rate Indicators”	Jan. 1, 2020

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

(III) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs 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 International Accounting Standards Board
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 to the Group's financial condition and financial performance based on the Group's assessment.

IV. Summary of Significant Accounting Policies

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

(I) Compliance Statement

These consolidated financial statements are prepared by the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC Interpretations endorsed by the FSC.

(II) Preparation Basis

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

   (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 requires the use of certain significant accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Consolidation Basis

1. Principles for preparation of consolidated financial statements

(1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

2. Subsidiaries included in the consolidated financial statements:

			Percentage of shareholdings		
Investor company	Name of subsidiaries	Business activities	December 31, 2019	December 31, 2018	Description
Elite Semiconductor Memory Technology Inc.	Elite Memory Technology Inc.	R&D, production, sales and relevant consulting service of integrated circuit	100	100	
Elite Semiconductor Memory Technology Inc.	CML Inc.	General investment	-	100	Note 7
Elite Semiconductor Memory Technology Inc.	Chang Feng Investment Ltd.	General investment	100	100	
Elite Semiconductor Memory	Jie Yong	General investment	41.86	41.86	Note 1

Investor company	Name of subsidiaries	Business activities	Percentage of shareholdings December 31, 2019	December 31, 2018	Description
Technology Inc.	Investment Ltd.				
Elite Semiconductor Memory Technology Inc.	Elite Investment Services Ltd.	General investment	100	100	
Elite Semiconductor Memory Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	General investment	100	50	Note 3
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solution (Samoa) Inc.	Investigation and research of market condition and industrial technology	-	100	Note 4
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	Design, development and testing of products	100	100	
Chang Feng Investment Ltd.	3R Semiconductor Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	
Chang Feng Investment Ltd.	Elite Silicon Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	79.37	79.37	
Chang Feng Investment Ltd.	Canyon Semiconductor Inc.	International trade, electronic component manufacturing, product design, and information software services	-	77.95	Note 2
Chang Feng Investment Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	-	Note 5
Chang Feng Investment Ltd.	Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service	100	-	Note 4
Chang Feng Investment Ltd.	Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	-	-	Note 8
CML Inc.	Elite Innovation (B.V.I.) Ltd.	General investment	-	100	Note 6
Elite Innovation (B.V.I.) Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials,	-	100	Note 5

Investor company	Name of subsidiaries	Business activities	Percentage of shareholdings December 31, 2019	December 31, 2018	Description
		manufacturing of electronic components, information software services and international trade			
Elite Investment Services Ltd.	Elite Semiconductor (B.V.I.) Ltd.	General Investment	-	50	Note 3
Eon Silicon Solution (Samoa) Inc.	Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service	-	100	Note 4

Note 1. The Company holds the majority voting rights of Jie Yong Investment Ltd. As their main management is the same, and the Company has substantial control over Jie Yong after evaluation. Therefore, Jie Yong is included as the subsidiary of the Company’s consolidated financial report.

Note 2. Since Chang Feng Investment Ltd. did not participate in Canyon Semiconductor’s capital increase by issuance of shares by cash on March 4, 2019, the shareholding ratio of Chang Feng Investment decreased from 77.95% to 38.21%. In addition, Chang Feng Investment Ltd. purchased shares of Canyon Semiconductor in December 2019, increasing its shareholding percentage from 38.21% to 40.93%. After evaluation, Chang Feng Investment has no control in Canyon Semiconductor, so Canyon Semiconductor is removed from the consolidated financial statements.

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 Ltd.

Note 5. Elite Innovation (B.V.I) Ltd. sold its 100% equity in Elite Innovation Japan Ltd. to Chang Feng Investment 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.

Note 8. Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was incorporated 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.

3. Subsidiaries not included in the consolidated financial reports: None.
4. Adjustment for subsidiaries with different balance sheet date: None.
5. Material restrictions: None.
6. Subsidiaries with material non-controlling interest to the Group: None.

(IV) Foreign Currency Translation

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

Foreign currency transactions and balances

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are 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 at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period.
3. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are 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 at the dates of the initial transactions.
4. All exchange gains and losses are presented as "other gains and losses" on the statements of comprehensive income

(V) 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 twelve 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 twelve 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 twelve months from the balance sheet date.
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its

classification.

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

(VI) 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 operational purpose.

(VII) 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 Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

1. Refers to the irrevocable selection made at initial recognition that allows the Group 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 holding objective 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 principle and interest on the principle amount outstanding.
2. The Group'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 Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.

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

(IX) 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 principle and interest on the principle amount outstanding.
2. The Group uses the trade day accounting for financial assets measured at amortized cost and complied with trade practices.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income is recognized using the effective interest method and impairment loss is accounted for. Upon derecognition, the gain or loss is recognized in profit or loss.
4. The Group 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.

(X) Accounts Receivable and Notes

1. Accounts and notes receivable entitle the Group 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.

(XI) Impairments of Financial Assets

The Group 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) at 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.

(XII) The Derecognition of Financial Assets

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

(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/Associates

1. Associates are all entities over which the Group has significant influence but does not control. In general, it is presumed that the investor has significant influence if an investor directly or indirectly holds 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.
2. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
3. 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 Group recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
4. Unrealized gains on transactions between the Group 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 Group.
5. Where an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, 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 Group'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.

6. Upon loss of significant influence over an associate, the Group 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.
7. When the Group 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 Group 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.

(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 only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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 Group 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 8 years
Laboratory equipment	3 to 8 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 Group'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 Group recognizes the present value of unpaid lease liabilities discounted at the Group’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 Group assesses whether it can reasonably determine its option to extend the lease or purchase the underlying asset, or not to terminate the lease. The Group 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 starting 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 Lease (The Lessee)

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

Income made under an operating lease (net of any incentives received from the lessor) is 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 patent, specialized technology, and customer relations acquired from a M&A are recognized at fair value on the acquisition date and are depreciated on a straight-line basis over its estimated useful life of 20 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 at cost on the acquisition date and are depreciated on a straight-line basis over its estimated useful life of 1~3 years.

(XX) Impairment of Non-Financial Assets

1. The Group 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 recognition, the Company's goodwill is allocated to the cash-generating units or groups that are expected to benefit from the business combination that generates goodwill.

(XXI) Borrowings

Borrowings refer to short-term loans from banks. Borrowings are recognized initially at fair value, net of transaction costs, and 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) Accounts Payable and Notes

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) De-recognition of Financial Liabilities

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

(XXIV) Provisions

Provisions are recognized when the Group 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 services rendered by employees in a period and shall be recognized as an expense in that period when the employees render services.

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 the 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 as 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 changes in estimates. If employee remuneration is paid by shares, the Group calculates the number of shares based on the closing price one day prior to the Board resolution.

(XXVI) Share-Based Payment to Employees

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 based on the fair value of the equity instruments on the granting date over the vesting period.

(2) For shares that can be included in dividend distribution, employees are not required to return the dividends if they resign during the vesting period. The Group 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 share 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 Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is 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 Group 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 the Company's 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 Group manufactures and sells integrated circuits and recognizes sales revenue when the control of goods is transferred to customers, i.e. when goods are delivered to customers and the Group 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 ocurred.
2. The Group 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 Group 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 Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

(XXXI) Operating Segments

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

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

The preparation of these consolidated financial statements requires the management to make critical judgments in applying the Group'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 assumptions

1. Impairment of goodwill

The assessment of goodwill impairment relies on the Group ’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 the 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 Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technological changes, the Group 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 carrying value of inventories on December 31, 2019 is NT$4,972,552.

VI. Summary of Significant Accounts

(I) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand and revolving funds	$ 171	$ 522
Checking deposits and demand deposits	394,658	226,878
Time deposits	2,362,174	1,646,428
	$ 2,757,003	$ 1,873,828

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty

default is remote.

2. For the restrictions on the Group'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	2019.12.31		2018.12.31	
Current items:				
Financial assets mandatorily measured at fair value through profit or loss				
TWSE/TPEx-listed stocks	$	1,567	$	47,361
Emerging stocks		148,013		170,444
Unlisted stocks		23,263		4,413
Beneficiary certificates		74,442		75,152
Corporate bond		31,226		31,226
Preference share		14,510		14,866
Subtotal		293,021		343,462
Evaluation adjustment	(	40,428)	(	37,088)
Total	$	252,593	$	306,374

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	($	14,498)	($	81,431)
Debt instruments		3,115	(	8,153)
Beneficiary certificates		2,656		1,716
Total	($	8,727)	($	87,868)

2. The Group 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	2019.12.31		2018.12.31	
Non-current items:				
Equity instruments				
Unlisted stocks	$	59,300	$	59,300
Evaluation adjustment	(	8,524)		-
	$	50,776	$	59,300

The Group has chosen to classify equity investment in strategic investment as financial assets at fair value through other comprehensive income, which is at NT$50,776 and NT$59,300 as of December 31, 2018 and 2019, respectively.

(IV) Accounts receivable

	2019.12.31		2018.12.31	
Accounts receivable - general customers	$	1,270,992	$	1,109,724
Accounts receivable - related parties		241		478
		1,271,233		1,110,202
Less: Allowance for losses	(	14,295)	(	4,289)
	$	1,256,938	$	1,105,913

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

	2018.12.31	2018.12.31
Not past due	$ 1,256,700	$ 1,094,591
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	-
	$ 1,271,233	$ 1,110,202

The aging analysis above is based on past due date.

2. Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Group's accounts receivable on December 31, 2018 and December 31, 2017 are NT$1,256,938 and NT$1,105,913, respectively.

3. The collaterals and fair value of collaterals held by the Group 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
Deposits received (Recognized in “other noncurrent 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 Group does not have account receivables provided as securities or guarantees.

(V) Inventories

	2019.12.31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 158,670	($ 9,794)	$ 148,876
Work in process	4,013,286	(70,663)	3,942,623
Finished goods	965,399	(88,739)	876,660
Inventory in transit	4,393	-	4,393
	$ 5,141,748	($ 169,196)	$ 4,972,552

	2018.12.31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 457,571	($ 29,332)	$ 428,239
Work in process	4,150,475	(140,498)	4,009,977
Finished goods	1,409,237	(84,824)	1,324,413
Inventory in transit	5,027	-	5,027
	$ 6,022,310	($ 254,654)	$ 5,767,656

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of inventories sold	$ 10,266,729	$ 9,279,781
Losses (reversed gains) from price decline or obsolescence of inventory	(85,458)	146,416
	$ 10,181,271	$ 9,426,197

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
January 1	$ -
The increase in investments accounted under equity method (Note)	46,404
Share of interests from investments under equity method	(13,194)
December 31	$ 33,210

	2019.12.31
Associates	$ 33,210

2018: None.

Note: The Group held 7,795 thousand shares or NT$77,950 in its subsidiary, Canyon Semiconductor Inc. (hereinafter referred to as Canyon Semiconductor). As the Group did not participate in Canyon Semiconductor's capital increase by the issuance of shares for cash on March 4, 2019, the shareholding ratio of the Group 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%. Though the Group no longer controls Canyon Semiconductor, it has still significant influences on the subsidiary.

1. Associates

(1) Information of major associates of the Group is as follows:

Company name	Principal places of business	Percentage of shareholding 2019.12.31	Nature of relationship	Method of measurement
Canyon Semiconductor Inc.	Taiwan	40.93%	Holding over 20% of voting rights	Equity method

(2) The summarized financial information in respect of the Group's major associates is set out as below:

Balance sheet

	Canyon Semiconductor Inc.
	2019.12.31
Current assets	$ 91,092
Noncurrent assets	1,596
Current liabilities	(11,549)
Total net assets	$ 81,139
Share in the net assets of associates	$ 33,210
Book value of associates	$ 81,139

Statement of comprehensive income

	Canyon Semiconductor Inc.
	2019
Revenue	$ 21,440
Net income (loss) for the year from the continuing department	($ 33,589)
Total comprehensive income (loss) for the current period	($ 33,589)

(VII) Property, plant, and equipment

	Land	Houses and buildings	Machinery equipment	Laboratory equipment	Others	Total
Jan. 1, 2019						
Cost	$9,023	$615,250	$393,874	$188,647	$1,081,083	$2,287,877
Accumulated depreciation and impairment	-	(332,185)	(313,959)	(134,215)	(708,456)	(1,488,815)
	$9,023	$283,065	$ 79,915	$ 54,432	$ 372,627	$ 799,062
2019						
January 1	$9,023	$283,065	$ 79,915	$ 54,432	$ 372,627	$ 799,062
Additions	-	5,496	35,908	10,070	159,093	210,567
Transfer (Note 1)	-	15,195	-	59,205	-	74,400
Effect of changes in consolidated entities	-	-	-	(336)	(2,843)	(3,179)
Depreciation expenses	-	(32,703)	(38,667)	(20,465)	(292,687)	(384,522)
Dec. 31	$9,023	$271,053	$ 77,156	$102,906	$ 236,190	$ 696,328
2019.12.31						
Cost	$9,023	$635,941	$429,782	$249,302	$1,231,048	$2,555,096
Accumulated depreciation and impairment	-	(364,888)	(352,626)	(146,396)	(994,858)	(1,858,768)
	$9,023	$271,053	$ 77,156	$102,906	$ 236,190	$ 696,328

	Land	Houses and buildings	Machinery equipment	Laboratory equipment	Others	Total
Jan. 1, 2018						
Cost	$9,023	$631,503	$388,737	$169,103	$ 785,191	$1,983,557
Accumulated depreciation and impairment	-	(301,551)	(252,951)	(115,703)	(421,651)	(1,091,856)
	$9,023	$329,952	$135,786	$ 53,400	$ 363,540	$ 891,701
2018						
January 1	$9,023	$329,952	$135,786	$ 53,400	$ 363,540	$ 891,701
Acquisition	-	4,116	5,137	19,993	296,489	325,735
Reclassification (Note 2)	-	(20,369)	-	-	-	(20,369)
Depreciation expenses	-	(30,634)	(61,008)	(18,961)	(287,402)	(398,005)
Dec. 31	$9,023	$283,065	$ 79,915	$ 54,432	$ 372,627	$ 799,062
2018.12.31						
Cost	$9,023	$615,250	$393,874	$188,647	$1,081,083	$2,287,877
Accumulated depreciation and impairment	-	(332,185)	(313,959)	(134,215)	(708,456)	(1,488,815)
	$9,023	$283,065	$ 79,915	$ 54,432	$ 372,627	$ 799,062

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

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

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

(VIII) Lease Transaction – Lessee

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

1. The Group’s leased objects include land, houses and buildings, company vehicles, and photocopy machines. The periods of the lease contract vary from 2 to 20 years. The lease contracts are negotiated individually and contain different terms and conditions. The company vehicles and staff quarters leased by the Group 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	19,270	7,334
Company vehicles	470	1,732
Photocopy machines	986	696
	$ 86,367	$ 13,182

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	$ 1,191
Rent expense of short-term leases	$ 9,052

4. The Group's cash outflow from leases amounted to NT$22,909 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)
Dec. 31	$ 18,671
2019.12.31	
Cost	$ 20,369
Accumulated depreciation and impairment	(1,698)
	$ 18,671

	Houses and buildings
Jan. 1, 2018	
Cost	$ -
Accumulated depreciation and impairment	-
	$ -
2018	
January 1	$ -
Reclassification	20,369
Depreciation expenses	(728)
Dec. 31	$ 19,641
2018.12.31	
Cost	$ 20,369
Accumulated depreciation and impairment	(728)
	$ 19,641

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

	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 Group on December 31, 2019 and 2018 are NT$10,538 and NT$12,380. This is the evaluation results based on the 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 Group has no capitalization of interests in 2019 and 2018.
4. The Group does not provide investment property as collateral.

(X) Intangible assets

	Patent and specialized technology	Customer relations	Goodwill	Others	Total
Jan. 1, 2019					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 159,069	$ 285,305
Accumulated amortization and impairment	(16,596)	(9,473)	(25,047)	(100,214)	(151,330)
	$ 17,882	$ 1,527	$ 55,711	$ 58,855	$ 133,975
2019					
January 1	$ 17,882	$ 1,527	$ 55,711	$ 58,855	$ 133,975
Acquisition	-	-	-	44,783	44,783
Amortization expenses	(8,960)	(1,527)	-	(74,621)	(85,108)
Impairment losses	-	-	(12,057)	-	(12,057)
Dec. 31	$ 8,922	$ -	$ 43,654	$ 29,017	$ 81,593
2019.12.31					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 203,852	$ 330,088
Accumulated amortization and impairment	(25,556)	(11,000)	(37,104)	(174,835)	(248,495)
	$ 8,922	$ -	$ 43,654	$ 29,017	$ 81,593

	Patent and specialized technology	Customer relations	Goodwill	Others	Total
Jan. 1, 2018					
Cost	$ 19,183	$ 11,000	$ 80,758	$ 170,003	$ 280,944
Accumulated amortization and impairment	(8,927)	(5,806)	-	(112,142)	(126,875)
	$ 10,256	$ 5,194	$ 80,758	$ 57,861	$ 154,069
2018					
January 1	$ 10,256	$ 5,194	$ 80,758	$ 57,861	$ 154,069
Acquisition	15,295	-	-	73,790	89,085
Amortization expenses	(7,669)	(3,667)	-	(72,796)	(84,132)
Impairment losses	-	-	(25,047)	-	(25,047)
Dec. 31	$ 17,882	$ 1,527	$ 55,711	$ 58,855	$ 133,975
2018.12.31					
Cost	$ 34,478	$ 11,000	$ 80,758	$ 159,069	$ 285,305
Accumulated amortization and impairment	(16,596)	(9,473)	(25,047)	(100,214)	(151,330)
	$ 17,882	$ 1,527	$ 55,711	$ 58,855	$ 133,975

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

	2019	2018
Operating costs	$ 8,405	$ 6,336
Selling expenses	1,864	4,034
Administrative expenses	711	860
Research and development expenses	74,128	72,902
	$ 85,108	$ 84,132

2. The Group 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 Group does not provide intangible assets collateral.

(XI) Impairment of non-financial assets

The Group 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, which is calculated based on the cash flow forecast for the next five years approved by management as the basis for estimation. The relevant discount rates for 2019 and 2018 were 13.86% and 12.5%, respectively. The value used by the Group to calculate cash-generating units is derived from historical information on estimated future revenue growth rates, gross profit margins, and operating expense ratios, 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 Group recognized impairment losses of NT$12,057 and NT$25,047 in 2019 and 2018, respectively.

(XII) Short-term borrowings

Loan type	2019.12.31	Interest rate collars	Collateral
Borrowings from banks			
Credit loans	$ 274,000	0.98%～1.90%	None

Loan type	2018.12.31	Interest rate collars	Collateral
Due to Banks			
Credit loans	$ 370,000	0.98%～1.05%	None

The interest expenses recognized in profit and loss in 2019 and 2018 were NT$8,681 and NT$3,353, respectively.

(XIII) Other payables

	2019.12.31	2018.12.31
Salary and bonus payables	$ 295,252	$ 331,941
Remuneration to employees and Directors	36,191	53,667
Payable on equipment	58,026	41,100
Others	73,054	79,527
	$ 462,523	$ 506,235

(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 determined as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligation	$ 12,739	$ 11,614
Fair value of employee 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 employee 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 (not including 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 employee 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 (not including 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	-	-	(766)

period			
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 aforementioned rates, 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 plan assets fair value 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 are as follows:

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

The assumptions of the future mortality rate in 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 NT$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 and its domestic subsidiaries have 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 and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in a lump sum upon the termination of employment.

(2) The subsidiary, Eon Silicon Solutions, Inc. USA, established the 401 (K) plan in accordance with Article 401 (K) of the US Tax Regulations. Local employees can allocate a certain amount of salary to their retirement account each month within the upper limit. Companies may allocate an additional amount according to its policy as a reward or to retain employees.

(3) The subsidiary, Elite Semiconductor Memory Technology (Shenzhen) Inc., has paid the monthly pension insurance according to a certain percentage of the total salary of local employees according to the pension insurance system stipulated by the People's Republic of China. The allocation ratio for 2019 and 2018 is 14%. The employee pension is managed and arranged by the government. Other than the monthly contributions, the Group has no further obligations.

(4) For the years ended December 31, 2019 and 2010, the net pension costs recognized under the defined contribution plan were NT$31,323 and NT$31,060, 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	Jun. 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 are 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:

	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 options as of December 31	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 is 3.64 years and 4.64 years, respectively.

5. The abovementioned share-based payment transactions incurred in 2019 and 2018 were both $ 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 $10.

Quantities of the Company's outstanding common stock 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 a book value of NT$328,048, an average book value of NT$24.4 per share, fair value of NT$38.9 and NT$30.05, respectively.

(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 total amount every year 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	Recognition of effects from all equity changes in subsidiaries and associates	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 joint ventures accounted for using 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	Recognition of effects from all equity changes in subsidiaries and associates	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 by cash and the rest will be distributed by 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 at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
   (2) When adopted IFRSs for the first time, 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 aforesaid 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 the legal reserve, and distribute cash dividends of NT$571,518 at NT$2 per share. The aforementioned surplus distribution was approved at the Shareholders' Meeting on June 14, 2018.
6. The Company passed the 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 Jun. 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 the legal reserve and distribute cash dividends of NT$428,638 at NT$1.5 per share. The aforementioned 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 the 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	$ 11,983,479	$ 11,555,124

1. Disaggregation of revenue from customers contracts

   The Group 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	$5,153,908	$6,643,377	$ 186,194	11,983,479

2018	Domestic	Asia	Others	Total
Integrated circuit	$5,025,713	$6,308,051	$ 221,360	11,555,124

2. Contract liabilities

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

	2019.12.31	2018.12.31	2018.1.1
Contract liabilities – advance from customers	$ 3,959	$ 3,710	$ 10,494

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

	2019	2018
Contract liabilities – advance from customers	$ 3,536	$ 10,414

(XX) Other income

	2019	2018
Interest income:		
Interest from bank deposits	$ 45,955	$ 51,647
Interest income from financial assets at amortized cost	2,420	1,791
Other interest incomes	1,291	38
Total interest income	49,666	53,476
Rent income	5,427	3,973
Dividend income	26,570	30,622
Other income - others	8,503	17,119
	$ 90,166	$ 105,190

(XXI) Other gains or losses

	2019	2018
Net gain (loss) on foreign exchange	($ 45,141)	$ 55,656
Loss on financial assets measured at fair value through profit or loss	(8,727)	(87,868)
Impairment losses	(12,057)	(25,047)
Other expenses	(970)	(1,199)
	($ 66,895)	($ 58,458)

(XXII) Financial costs

	2019	2018
Interest expenses:		
Borrowings from banks	$ 5,340	$ 3,359
Provisions - discount amortization	1,291	1,181
Lease liabilities	1,191	-
Total interest expenses	7,822	4,540
Others	1,018	347
	$ 8,840	$ 4,887

(XXIII) Additional information on the nature of these expenses

	2019		2018	
Employee benefits expenses	$	943,207	$	1,019,426
Depreciation expenses of property, plant, and equipment		384,522		398,005
Depreciation expenses of right-of-use assets		13,182		-
Depreciation expenses of investment property		970		728
Amortization expenses of intangible assets		85,108		84,132
	$	1,426,989	$	1,502,291

(XXIV) Employee benefits expenses

	2019		2018	
Salaries and wages	$	839,534	$	916,044
Labor insurance and national health insurance		48,285		46,967
Pension expenses		31,872		31,589
Remuneration to Directors		7,549		8,814
Other personnel cost		15,967		16,012
	$	943,207	$	1,019,426

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 from the net profit before tax minus the amount of distributed employee and Director 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.

   For the years ended December 31, 2019, and 2018, the subsidiary recognized remuneration to employees in the amounts equal to NT$4 and NT$4 respectively, and remuneration to Directors and Supervisors in the amounts equal to NT$223 and NT$315, respectively, all presented under payroll expense.
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
Income tax for the period:		
Income tax from the income incurred for the period	$ 55,223	$ 139,383
Additional tax on undistributed earnings	10,378	1,468
Prior year income tax over/underestimation	316	(3,488)
Total income tax in the period	65,917	137,363
Deferred income tax:		
Initial recognition and reversal of temporary differences	4,652	(5,297)
Income tax expenses	$ 70,569	$ 132,066

(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 (Note)	$ 108,571	$ 169,960
Expenses which shall be excluded in accordance with the provisions of the tax law	-	15,224
Tax exempted income by tax regulation	(1,276)	-
Tax effects from alternative minimum tax	3,870	11,552
Prior year income tax under/overestimation	316	(3,488)
Tax effects of tax-exempt income	(36,435)	(102,403)
Tax effect of temporary differences	(14,855)	39,753
Additional tax on undistributed earnings	10,378	1,468
Income tax expenses	$ 70,569	$ 132,066

Note: The applicable tax rate is based on the tax rate applicable in the country concerned.

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	$ 381,968	$ 491,508

5. The Company did not recognize the deferred income tax liabilities for the taxable temporary differences related to certain subsidiaries' investments. For the years ended December 31, 2019 and 2018, the amount of temporary difference that has not been recognized as deferred income tax liabilities was NT$0 for both years.

6. 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).

7. 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	$ 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) Transactions with non-controlling interests

1. The Group’s subsidiary, Canyon Semiconductor Inc., made a capital reduction on April 26, 2018 to set off its deficits. The company increased its capital by issuing new shares on April 27, 2018. The Group did not subscribe in accordance with the shareholding ratio and therefore the equity increased by 9.45%. This increased non-controlling equity by NT$6,117, and equity attributable to owners of the parent company decreased by NT$6,117. The effect of the change in equity of Canyon Semiconductor Inc. on the owners of the parent company for the year 2018:

	2018
Cash	$ -
Increase in the carrying amount of non-controlling interests	6,117
Capital surplus changes in non-controlling interests	$ 6,117

2. The Group acquired an additional 40% of issued shares of 3R Semiconductor Technology Inc. with NT$9,407 on October 5, 2018. The face value of non-controlling interests of 3R Semiconductor Technology Inc. was NT$9,338. This decreased non-controlling equity by NT$9,338, and equity attributable to owners of the parent company decreased by NT$69. The effect of the change in equity of 3R Semiconductor Technology Inc. on the owners of the parent company for the year 2018:

	2018
Carrying amount of non-controlling interests	$ 9,338
Consideration paid to non-controlling interests	(9,407)
Capital reserve - Difference in the share price and nominal value of the acquired shares of subsidiaries	($ 69)

(XXVIII) Supplemental cash flow information

1. Investing activities with partial cash paid:

	2019	2018
Purchase of property, plant, and equipment (including transfers)	$ 284,967	$ 325,735
Add: Beginning equipment payables	41,100	84,669
Less: End equipment payables	(58,026)	(41,100)
Cash paid in the period	$ 268,041	$ 369,304

2. Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Total financing liability
Jan. 1, 2019	$ 370,000	$ 99,932	$ 105,090	$ 575,022
Changes in financing cash flows	(96,000)	(99,932)	(12,525)	(208,457)
Interest payments	-	-	(1,332)	(1,332)
Interest expenses	-	-	1,191	1,191
Foreign exchange impact amount	-	-	229	229
Others	-	-	(5,766)	(5,766)
2019.12.31	$ 274,000	$ -	$ 86,887	$ 360,887

	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 Group
Arima Lasers Corp.	The Company’s subsidiary as this company’s director
Feeling Technology Corp. (Note)	The Company’s Director as this company’s director
Canyon Semiconductor Inc.	Investee under indirect equity valuation method

Note: No longer an affiliate since May 1, 2018.

(II) Remuneration to key management

	2019	2018
Salary and other short-term employees' benefits	$ 36,572	$ 43,177
Benefits after retirement	432	432
Total	$ 37,004	$ 43,609

VIII. Pledged Assets

Assets pledged as collateral by the Group 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

(I) Operating lease

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

The Group'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 leases are stated as follows:

	2018.12.31
Less than one year	$ 19,908
Later than one year and no later than five years	31,050
Over five years	9,867
Total	$ 60,825

(II) Unused letters of credit issued

Unused letters of credit issued due to purchases by the Group is as follows:

	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 (18) for details.

XII. Others

(I) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans working capital, research and development expenses and dividends to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, issue new shares or cash to shareholders, or repurchase shares.

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

	2019.12.31	2018.12.31
Total asset value	$ 10,480,320	$ 10,289,312
Total liabilities	(3,139,541)	(3,044,874)
Total equity	$ 7,340,779	$ 7,244,438
Debt-to-capital ratio	43%	42%

(II) Financial instruments

1. Categories of financial instruments

	2019.12.31	2018.12.31
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss	$ 252,593	$ 306,374
Financial assets at fair value through other comprehensive income		
Designated equity instrument investment	$ 50,776	$ 59,300
Financial assets measured at cost after amortization		
Cash and cash equivalents	$ 2,757,003	$ 1,873,828
Financial assets measured at cost after amortization - current	140,906	-
Notes receivable	34	-
Accounts receivable	1,256,938	1,105,913
Other receivables	82,741	68,540
Time deposits (listed in other current assets)	3,969	2,267
Refundable deposits (listed in other non-current assets)	6,261	6,846
	$ 4,247,852	$ 3,057,394
Financial liabilities		
Short-term borrowings	$ 274,000	$ 370,000
Short-term notes and bills payable	-	99,932
Notes payable	1,981	2,745
Accounts payable	2,225,909	1,894,371
Other payables	462,523	506,235
Refundable deposits (listed in other non-current liabilities)	9,871	9,601
	$ 2,974,284	$ 2,882,884
Lease liabilities	$ 86,887	$ -

2. Risk management policies

(1) The Company adopts overall risk management and control system to identify all the 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 Group management can effectively control market risk in order to lower the risk, maintain appropriate liquidity position and conduct centralized management of all market risks, with consideration to the 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 of the Group has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts. 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 Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The currency exposure arising from the net assets of the Group's foreign operations is managed primarily through savings denominated in the relevant foreign currencies. Please refer to Note 6 (1) for details.

D. The Group's businesses involve non-functional currency operations (the functional currency of the Company and its subsidiaries: 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	$ 120,486	29.980	$ 3,612,170
CNY: NTD	56,049	4.305	241,291
Financial liabilities			
Monetary items			
USD: NTD	$ 47,708	29.980	$ 1,430,286

	2018.12.31		
(Foreign currency: Functional currency)	Foreign currency (thousand)	Exchange rate	Book value (NT$1,000)
Financial assets			
Monetary items			
USD: NTD	$ 86,714	30.715	$ 2,663,421
CNY: NTD	50,279	4.472	224,848
Financial liabilities			
Monetary items			
USD: NTD	$ 37,901	30.715	$ 1,164,129

E. The total exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (NT$45,141) and NT$55,656 respectively.

F. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	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%	$ 36,127	$ -
CNY: NTD	1%	2,413	-
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 14,303)	$ -

	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%	$ 26,634	$ -
CNY: NTD	1%	2,248	-
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 11,641)	$ -

<u>Price risk</u>

A. The Group'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 Group 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$25,259 and NT$30,637, 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$5,078 and NT$5,930, respectively.

Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly from short-term borrowings and short-term notes. Borrowings with floating interest rates expose the Group 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 Group 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 Group 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 Group's credit risk is the risk of financial loss to the Group 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 Group manages its credit risk in consideration of the entire Group's concern. Banks and financial institutions only accept organizations with good credit ratings as their trade counterparties. According to the Group's credit policy, each local entity in the Group 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 Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

D. The Group adopts 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 are 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 Group 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 Group reverses the amount of financial assets that cannot be reasonably expected to be recovered. However, the Group will continue to pursue legal procedures for recourse in order to preserve the rights of claims.

G. The financial assets held by the Group that are 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 Group assesses that the risk of credit losses is extremely low and the 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 Group's right to request collateral or other guarantees for major transaction partners, the Group categorizes customers' accounts receivable according to the characteristics of the collateral. The Group 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 Group as of December 31, 2009 and 2018 were minimal.

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

	2019		2018	
	Accounts receivable		Accounts receivable	
January 1	$	4,289	$	-
Provision of impairment loss		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 Group and aggregated by Group treasury. The finance department monitors the cash forecast to ensure that the Group's funds are adequate to finance its operations.

B. The Group'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 table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. 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	$ 274,000	$ -	$ -
Notes payable	1,981	-	-
Accounts payable	2,225,909	-	-
Other payables	462,523	-	-
Lease liabilities	12,685	28,440	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	2,745	-	-
Accounts payable	1,894,371	-	-
Other payables	506,235	-	-
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 or emerging shares, beneficiary certificates and debt securities the Group 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 Group’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 book values of the Group's financial instruments not measured at fair value are reasonable approximations of their fair values. These include 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 Group 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:

(I) The Group 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	$ 81,109	$ 2,217	$ 35,177	$118,503
Beneficiary certificates	84,404	-	-	84,404
Debt securities	49,686	-	-	49,686
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	50,776	50,776
	$215,199	$ 2,217	$ 85,953	$303,369

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	$169,852	$ 1,388	$ 6,815	$178,055
Beneficiary certificates	81,363	-	-	81,363
Debt securities	46,956	-	-	46,956
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	59,300	59,300
	$298,171	$ 1,388	$ 66,115	$365,674

Financial liabilities: None.

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

A. The instruments the Group used market quoted prices as their fair values (that is, Level I) are listed below 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 consolidated 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 Group'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 Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

5. For 2019 and 2018, the Group had 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	$ 66,115	$ 56,215
Acquisition for the period	18,850	59,300
Disposal in the current period	-	(51,802)
Evaluation adjustment	988	2,402
December 31	$ 85,953	$ 66,115

7. The financial instrument evaluation team of the Group'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:

	2019.12.31 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted-average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	$ 20,027	Comparable company analysis	Discount for lack of marketability	30%	Lack of market liquidity, the higher the discount, the lower the fair value
Unlisted shares	50,776	Comparable company analysis	Discount for lack of marketability	40%	Lack of market liquidity, the higher the discount, the lower the fair value
Unlisted shares	15,150	Recent transaction price	N/A	N/A	N/A

	2018.12.31 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted-average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	$ 6,815	Comparable company analysis	Discount for lack of marketability	30%	Lack of market liquidity, the higher the discount, the lower the fair value
Unlisted shares	59,300	Recent transaction price	N/A	N/A	N/A

9. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurements. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level III if the inputs used to valuation models have changed:

			2019.12.31			
			Recognized in profit and loss		Recognized in other comprehensive profit and loss	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets - equity instrument	Evaluation for lack of marketability	±10%	$ 858	($ 858)	$ 3,384	($ 3,384)

			2018.12.31			
			Recognized in profit and loss		Recognized in other comprehensive profit and loss	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets - equity instrument	Evaluation for lack of marketability	±10%	$ 292	($ 292)	$ -	$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions:

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: Please refer to Please refer to Appendix Table 8.

(II) Information on investees

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): Please refer to Appendix Table 3 for details.

(III) Information on investments in 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 4.
3. Significant transactions with investee companies in mainland China, either directly or indirectly through a business at third location: None.

XIV. Operating Segment Information

(I) General information

The Group's business involves one single industry, and the chief operating decision-maker of the Company uses the Group as a whole to evaluate performance and allocate resources when performing performance evaluation and resource allocation. It is identified that the Company shall be the single reporting department.

(II) Segment information

The financial information of reportable segments provided to chief operating decision-maker is as follows:

	2019	2018
Income from external customers	$ 11,983,479	$ 11,555,124
Segment net profit before tax	$ 576,180	$ 848,260
	2019.12.31	2018.12.31
Segment assets	$ 10,480,320	$ 10,289,312
Segment liabilities	$ 3,139,541	$ 3,044,874

The impact of the Group's adoption of IFRS 16 "Leases" on the segment information for the year 2019 is as follows:

Increase in depreciation expenses	$ 13,182
Increase in segment assets	$ 86,367
Increase in segment liabilities	$ 86,887

(III) Reconciliation to the segment profit/loss: None.

(IV) Information on products and services

The Group's net income related to the integrated circuit, electronic materials and other relevant fields are NT$11,983,479 and NT$11,555,124 in 2019 and 2018, respectively.

(V) Information by areas

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Revenue	Noncurrent assets	Revenue	Noncurrent assets
Domestic	$ 5,153,908	$ 874,235	$ 5,025,713	$ 1,008,630
Asia	6,643,377	-	6,308,051	-
Others	186,194	14,587	221,360	2,907
Total	$ 11,983,479	$ 888,822	$ 11,555,124	$ 1,011,537

(VI) Important customer information

	2019		2018	
	Revenue	Segment	Revenue	Segment
Company A	$ 2,724,676	The whole Group	$ 2,652,618	The whole Group

Elite Semiconductor Memory Technology Inc. and its subsidiaries
Marketable securities held – end of year
Dec. 31, 2019

Table 1

Unit: NTD thousand
(Unless otherwise indicated)

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting titles in statements	End of the period: Number of shares	End of the period: Book value (Note)	End of the period: Ratio of shareholding	End of the period: Fair value	Remarks
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 Bonds	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 Bonds	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 bonds	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: Including financial asset evaluation adjustment and cumulative conversion adjustment

Elite Semiconductor Memory Technology Inc. and its subsidiaries

Significant inter-company transactions during the reporting periods.

January 1 to December 31, 2019

Table 2

Unit: NTD thousand

(Unless otherwise indicated)

No. (Note 1)	Trader’s name	Counterparty	Relationship with the trader (Note 2)	Transactions			
				Title	Amount	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 3)
0	Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	(1)	Research and development expenses	$ 65,336	Note 4	0.55%
0	Elite Semiconductor Memory Technology Inc.	Elite Memory Technology Inc.	(1)	Other revenue	24,000	Note 4	0.20%
0	Elite Semiconductor Memory Technology Inc.	Elite Silicon Technology Inc.	(1)	Other revenue	1,177	Note 4	0.01%

Note 1: The information on transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:
(1) The parent company is coded 0.

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relations with counterparty can be any one of the following three types:

(1) Parent company to its subsidiary.

(2) Subsidiary to its parent company.

(3) Subsidiary to another subsidiary.

Note 3: the ratio of the transaction amount to the combined total revenue or total assets, if it is an item of assets and liabilities, shall be calculated by the ratio of the ending balance to the combined total assets; if it is a profit or loss item, it shall be calculated by the ratio the cumulative amount to the combined total revenue.
Note 4: The transaction terms are decided by the two parties through negotiation.

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

Table 3

Unit: NTD thousand
(Unless otherwise indicated)

Investor	Name of investee	Location	Principal business	Original investment amount		Ending shareholding			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Remarks
				End of the period	End of last year	Number of shares	Percentage	Book value			
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	60,000	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

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

Table 3

Unit: NTD thousand
(Unless otherwise indicated)

Investor	Name of investee	Location	Principal business	Original investment amount: End of the period	Original investment amount: End of last year	Ending shareholding: Number of shares	Ending shareholding: Percentage	Ending shareholding: Book value	Net income (loss) of the investee	Recognized investment income (loss)	Remarks
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
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: Since Chang Feng Investment Co., Ltd. did not participate in Canyon Semiconductor’s capital increase with the share issuance by 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 Ltd.

Note 5: Elite Innovation (B.V.I) Ltd. sold its 100% equity in Elite Innovation Japan Ltd. to Chang Feng Investment 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. and its Subsidiaries
Information regarding investment in the territory of Mainland China - Basic information
January 1 to December 31, 2019

Table 4

Unit: NTD thousand
(Unless otherwise indicated)

Names of investees in mainland China	Principal business	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		Accumulated amount of investment remitted from Taiwan at ending	Net income (loss) of the investee	The Company's directly or indirectly invested shareholding	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
					Outward remittance	Recover							
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) Reinvest in mainland China through companies in a third location

(3) Others.

Note 2: The profit 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 US$5,231 thousand.

The cancellation of this investment has been approved on Aug. 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 US$1. The Company has sold all its shareholdings in Yi Xi Ge Ma Technology Co., Ltd. in September 2019, was approved by Investment Commission of MOEA on Feb. 2, 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 US$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.