

**Elite Semiconductor Memory Technology Inc.
and its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report for the
Three-Month Periods Ended
March 31, 2020 and 2019**

(Stock No.: 3006)

(English Translation of a Report Originally Issued in Chinese)

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Elite Semiconductor Memory Technology Inc. and its Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report for the
Three-Month Periods Ended March 31, 2020 and 2019

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(English Translation of a Report Originally Issued in Chinese)

Independent Auditors' Report

(CONSOLIDATED FINANCIAL STATEMENT)

(2020)Finance-Audit-Letter No.20000308

To Elite Semiconductor Memory Technology Inc.,

Introduction

We have reviewed the accompanying consolidated balance sheets of Elite Semiconductor Memory Technology Inc. and its subsidiaries ("the Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income of the three-months periods ended March 31, 2020 and 2019, as well as the changes in equity and cash flows for the three-months periods ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 - Interim Financial Reporting endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65 - Review of Financial Information Performed by the Independent Auditor of the Entity. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4 (3) and 6 (6), the consolidated financial statements included the financial statements of certain non-significant subsidiaries and equity-accounted investee companies which were not reviewed by independent auditors. These financial statements reflected the total assets amounting to NT\$687,589 thousand and NT\$797,372 thousand, constituting 5.97% and 7.77% of consolidated total assets; the total liabilities amounting to NT\$128,621 thousand and NT\$95,006 thousand, constituting 3.34% and 3.28% of consolidated total liabilities as of March 31, 2020 and 2019, respectively; the total comprehensive income (loss) amounting to NT\$(7,245) thousand and NT\$(13,406) thousand, constituting (2.15%) and (14.20%) of the consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity-accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors,

based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidation cash flows for the three-months periods ended March 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and ISAs 34 - Interim Financial Reporting endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Ya Huei Cheng

Danie Lee

Pricewaterhouse Coopers , Taiwan

May 14, 2020

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Balance Sheets

As of March 31, 2020, December 31, 2019 and March 31, 2019

(The Consolidated Balance Sheet on March 31, 2020 and 2019 were reviewed Only,
not audited in accordance with the generally accepted auditing standards in the Republic of China)

Assets		Note	March 31, 2020		December 31, 2019		Unit: NT\$ thousand March 31, 2019	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	VI (I)	\$ 2,643,373	23	\$ 2,757,003	26	\$ 1,923,651	19
1110	Financial assets at fair value through profit or loss - current	VI (II)	238,207	2	252,593	3	342,131	3
1136	Financial assets measured at cost after amortization - current		81,608	1	140,906	1	30,820	-
1150	Net notes receivable		249	-	34	-	-	-
1170	Net accounts receivable	VI (IV)	1,629,180	14	1,256,938	12	1,172,720	12
1200	Other receivables		5,180	-	82,741	1	6,694	-
130X	Inventories	VI (V)	5,746,944	50	4,972,552	48	5,515,173	54
1410	Prepayments		161,840	1	27,444	-	128,332	1
1470	Other current assets	8	10,351	-	6,866	-	9,396	-
11XX	Total current assets		<u>10,516,932</u>	<u>91</u>	<u>9,497,077</u>	<u>91</u>	<u>9,128,917</u>	<u>89</u>
Noncurrent assets								
1517	Financial assets at fair value through other comprehensive income - noncurrent	VI (III)	76,716	1	50,776	-	58,207	1
1550	Investments accounted for using equity method	VI (VI)	30,783	-	33,210	-	40,742	-
1600	Property, plant, and equipment	VI (VII)	645,572	6	696,328	7	779,081	8
1755	Right-of-use assets	VI (VIII)	79,705	1	86,367	1	101,768	1
1760	Net investment property	VI (IX)	18,429	-	18,671	-	19,399	-
1780	Intangible assets	VI (X)	123,032	1	81,593	1	114,664	1
1840	Deferred income tax assets		3,811	-	4,174	-	4,679	-
1900	Other noncurrent assets		16,101	-	12,124	-	19,832	-
15XX	Total noncurrent assets		<u>994,149</u>	<u>9</u>	<u>983,243</u>	<u>9</u>	<u>1,138,372</u>	<u>11</u>
1XXX	Total assets		<u>\$ 11,511,081</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>	<u>\$ 10,267,289</u>	<u>100</u>

(Continued)

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Balance Sheets

As of March 31, 2020, December 31, 2019 and March 31, 2019

(The Consolidated Balance Sheet on March 31, 2020 and 2019 Were Reviewed Only,

Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: NT\$ thousand

Liabilities and equity		Note	March 31, 2020		December 31, 2019		March 31, 2019	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term borrowings	VI (XII)	\$ 454,000	4	\$ 274,000	3	\$ 550,000	5
2110	Short-term notes and bills payable		-	-	-	-	99,849	1
2130	Contract liabilities - current	VI (XIX)	48,361	-	3,959	-	15,842	-
2150	Notes payable		1,900	-	1,981	-	2,321	-
2170	Accounts payable		2,651,558	23	2,225,909	21	1,482,927	15
2200	Other payables	VI (XIII)	493,067	4	462,523	5	462,479	5
2230	Current tax liability		82,515	1	40,046	-	133,993	1
2280	Lease liabilities - current		9,207	-	11,447	-	14,072	-
2300	Other current liabilities		7,333	-	6,080	-	5,798	-
21XX	Total of current liabilities		<u>3,747,941</u>	<u>32</u>	<u>3,025,945</u>	<u>29</u>	<u>2,767,281</u>	<u>27</u>
Noncurrent liabilities								
2550	Liability reserve - noncurrent		15,436	-	15,083	-	14,114	-
2570	Deferred tax liabilities		2,391	-	4,731	-	7,908	-
2580	Lease liabilities - non-current		71,123	1	75,440	1	87,753	1
2600	Other noncurrent liabilities		17,503	-	18,342	-	18,301	-
25XX	Total noncurrent liabilities		<u>106,453</u>	<u>1</u>	<u>113,596</u>	<u>1</u>	<u>128,076</u>	<u>1</u>
2XXX	Total liabilities		<u>3,854,394</u>	<u>33</u>	<u>3,139,541</u>	<u>30</u>	<u>2,895,357</u>	<u>28</u>
Equity attributable to owners of the parent company								
Share capital								
3110	Common stock	VI (XVI)	2,857,589	25	2,857,589	27	2,857,589	28
Capital surplus								
3200	Capital surplus	VI (XVII)	102,672	1	104,305	1	94,547	1
Retained earnings								
3310	Legal reserve	VI (XVIII)	1,359,235	12	1,359,235	13	1,288,584	12
3320	Special reserve		-	-	-	-	194,377	2
3350	Undistributed earnings		3,597,842	31	3,286,176	31	3,189,050	31
Other equities								
3400	Other equities		17,416	-	(8,524)	-	(1,093)	-
3500	Treasury stock	VI (XVI)	(145,649)	(1)	(137,321)	(1)	(137,321)	(1)
31XX	Total equity attributable to owners of the parent company		<u>7,789,105</u>	<u>68</u>	<u>7,461,460</u>	<u>71</u>	<u>7,485,733</u>	<u>73</u>
36XX	Non-controlling interests		<u>(132,418)</u>	<u>(1)</u>	<u>(120,681)</u>	<u>(1)</u>	<u>(113,801)</u>	<u>(1)</u>
3XXX	Total equity		<u>7,656,687</u>	<u>67</u>	<u>7,340,779</u>	<u>70</u>	<u>7,371,932</u>	<u>72</u>
Significant Contingent Liabilities and Unrecognized Contractual Commitments								
3X2X	Total liabilities and equity		<u>\$ 11,511,081</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>	<u>\$ 10,267,289</u>	<u>100</u>

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

(Reviewed only, not audited in accordance with the generally accepted auditing standards in the Republic of China)

Unit: NT\$ thousand

(EPS in NT\$)

Items	Note	January 1 to March 31, 2020		January 1 to March 31, 2019	
		Amount	%	Amount	%
4000 Operating income	VI (XIXI)	\$ 3,663,730	100	\$ 2,624,365	100
5000 Operating costs	VI (V) (XXIII) (XXIV)	(2,956,338)	(81)	(2,286,381)	(87)
5950 Net operating gross profit		<u>707,392</u>	<u>19</u>	<u>337,984</u>	<u>13</u>
Operating expenses	VI (XXIII) (XXIV)				
6100 Selling expenses		(63,379)	(2)	(53,228)	(2)
6200 Administrative expenses		(78,408)	(2)	(55,615)	(2)
6300 Research and development expenses		(228,086)	(6)	(168,133)	(7)
6450 Expected credit impairment loss	XII(II)	-	-	(10,006)	-
6000 Total operating expenses		<u>(369,873)</u>	<u>(10)</u>	<u>(286,982)</u>	<u>(11)</u>
6900 Operating income		<u>337,519</u>	<u>9</u>	<u>51,002</u>	<u>2</u>
Non-operating revenues and expenses					
7010 Other revenue	VI (XX)	13,706	-	14,929	-
7020 Other gains or losses	VI (XXI)	6,144	-	47,290	2
7050 Financial costs	VI (XXII)	(2,097)	-	(2,767)	-
7060 Share of profit (loss) of associates and joint ventures accounted for under equity method	VI (VI)	(2,427)	-	(3,096)	-
7000 Total non-operating revenues and expenses		<u>15,326</u>	<u>-</u>	<u>56,356</u>	<u>2</u>
7900 Profit before tax		<u>352,845</u>	<u>9</u>	<u>107,358</u>	<u>4</u>
7950 Income tax expenses	VI (XXV)	(41,231)	(1)	(11,881)	-
8200 Net profit of current period		<u>\$ 311,614</u>	<u>8</u>	<u>\$ 95,477</u>	<u>4</u>
Other comprehensive income - net					
Items not re-classified to profit or loss					
8316 Unrealized gain(loss) on valuation of equity instruments measured at fair value through other comprehensive income	VI (III)	\$ 25,940	1	(\$ 1,093)	-
8300 Other comprehensive income - net		<u>\$ 25,940</u>	<u>1</u>	<u>(\$ 1,093)</u>	<u>-</u>
8500 Total comprehensive income of current period		<u>\$ 337,554</u>	<u>9</u>	<u>\$ 94,384</u>	<u>4</u>
Net profit (loss) attributable to:					
8610 Owners of the parent company		<u>\$ 311,666</u>	<u>8</u>	<u>\$ 96,003</u>	<u>4</u>
8620 Non-controlling interests		<u>(\$ 52)</u>	<u>-</u>	<u>(\$ 526)</u>	<u>-</u>
Total comprehensive income attributable to:					
8710 Owners of the parent company		<u>\$ 337,606</u>	<u>9</u>	<u>\$ 94,910</u>	<u>4</u>
8720 Non-controlling interests		<u>(\$ 52)</u>	<u>-</u>	<u>(\$ 526)</u>	<u>-</u>
Earnings per share	VI (XXVI)				
9750 Basic earnings per share		<u>\$ 1.11</u>	<u>1.11</u>	<u>\$ 0.34</u>	<u>0.34</u>
9850 Diluted earnings per share		<u>\$ 1.11</u>	<u>1.11</u>	<u>\$ 0.34</u>	<u>0.34</u>

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Statement of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Reviewed only, not audited in accordance with the generally accepted auditing standards in the Republic of China)

Unit: NT\$ thousand

	Note	Equity attributable to owners of the parent company						Treasury stock	Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
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		-	-	-	-	96,003	-	-	96,003	(526)	95,477
Other comprehensive income (loss)		-	-	-	-	-	(1,093)	-	(1,093)	-	(1,093)
Total comprehensive income of current period		-	-	-	-	96,003	(1,093)	-	94,910	(526)	94,384
Recognized net equity value of new shares issued to subsidiaries not based on shareholding ratio	VI (XVII) (XXVII)	-	35,475	-	-	-	-	-	35,475	(2,365)	33,110
Balance as of March 31, 2019		\$ 2,857,589	\$ 94,547	\$ 1,288,584	\$ 194,377	\$ 3,189,050	(\$ 1,093)	(\$ 137,321)	\$ 7,485,733	(\$ 113,801)	\$ 7,371,932
2020											
Balance as of January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460	(\$ 120,681)	\$ 7,340,779
Net profit of current period		-	-	-	-	311,666	-	-	311,666	(52)	311,614
Other comprehensive income (loss)		-	-	-	-	-	25,940	-	25,940	-	25,940
Total comprehensive income of current period		-	-	-	-	311,666	25,940	-	337,606	(52)	337,554
Subsidiary's purchase of parent's stock is regarded as treasury stock		-	-	-	-	-	-	(8,328)	(8,328)	(11,566)	(19,894)
Recognition of effects from all equity changes in subsidiaries - Non-controlling	VI (XVII) (XXVII)	-	(1,633)	-	-	-	-	-	(1,633)	(119)	(1,752)
Balance as of March 31, 2020		\$ 2,857,589	\$ 102,672	\$ 1,359,235	\$ -	\$ 3,597,842	\$ 17,416	(\$ 145,649)	\$ 7,789,105	(\$ 132,418)	\$ 7,656,687

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

(English Translation of a Report Originally Issued in Chinese)

Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Statements of Cash Flow

For the three months ended March 31, 2020 and 2019

(Reviewed only, not audited in accordance with the generally accepted auditing standards in the Republic of China)

Unit: NT\$ thousand

	Note	January 1 to March 31, 2020	January 1 to March 31, 2019
Cash flow from operating activities			
Net profit before taxation of current period		\$ 352,845	\$ 107,358
Adjustments			
Profits and loss			
Depreciation expenses	VI(VII)(VIII) (IX)(XXIII)	76,822	112,823
Amortization expenses	VI(X)(XXIII)	24,959	21,993
Expected credit impairment loss	XII(II)	-	10,006
Net loss (profit) of financial assets at fair value through profit or loss	VI(II)(XXI)	13,262	(35,757)
Interest expenses	VI(XXII)	2,097	2,767
Interest income	VI (XX)	(11,148)	(10,711)
Share of profit (loss) of associates and joint ventures accounted for under equity method	VI(VI)	2,427	3,096
Gains on lease modification		(26)	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit and loss		1,124	-
Notes receivable		(215)	-
Accounts Receivable		(372,242)	(76,946)
Other receivables		76,519	61,151
Inventories		(774,392)	252,483
Prepayments		(134,396)	(48,504)
Other current assets		(3,485)	(6,476)
Net changes in liabilities relating to operating activities			
Notes payable		(80)	(1,244)
Accounts payable		425,648	(411,444)
Contract liabilities		44,402	12,271
Other payables		67,819	(19,381)
Other current liabilities		1,252	1,459
Other noncurrent liabilities		(839)	98
Cash outflow from operations		(207,647)	(24,958)
Interest received		12,190	11,243
Interest paid		(1,363)	(1,935)
Income tax paid		(739)	(796)
Cash inflow (outflow) from operating activities, net		(197,559)	(16,446)

(Continued)

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Elite Semiconductor Memory Technology Inc. and its Subsidiaries

Consolidated Statements of Cash Flow

For the three months ended March 31, 2020 and 2019

(Reviewed only, not audited in accordance with the generally accepted auditing standards in the Republic of China)

Unit: NT\$ thousand

	Note	January 1 to March 31, 2020	January 1 to March 31, 2019
Cash flow from investing activities			
Decrease (increase) in financial assets measured at amortized cost		\$ 59,298	(\$ 30,820)
Acquisition of property, plant and equipment	VI(XXVIII)	(61,043)	(111,192)
Decrease (increase) in prepaid equipment		(4,572)	45,423
Acquisition of intangible assets	VI (X)	(66,398)	(2,682)
Cash outflows from disposal of subsidiaries		-	(11,607)
Refundable deposits refunded		594	50
Net cash outflow from investing activities		(72,121)	(110,828)
Cash flow from financing activities			
Increase in short-term loans	VI(XXVIII)	180,000	180,000
Repayment of the principal amount of rentals	VI(XXVIII)	(2,304)	(2,781)
Decrease in guarantee deposits		-	(122)
Cost of treasury stocks purchase		(19,894)	-
Purchase of equity from non-controlling interests		(1,752)	-
Net cash provided by financing activities		156,050	177,097
(Decrease) increase in cash and cash equivalents		(113,630)	49,823
Beginning balance of cash and cash equivalents	VI (I)	2,757,003	1,873,828
Ending balance of cash and cash equivalents	VI (I)	\$ 2,643,373	\$ 1,923,651

The notes to the consolidated financial statements are part of the consolidated financial statements and should be read together.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: 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 the Three-Month Periods Ended March 31, 2020 and 2019

(Reviewed only, not audited in accordance with the generally accepted auditing standards in the
Republic of China)

Unit: NT\$ 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 Financial Statements

The consolidated financial statements were released on May 14, 2020, after being approved 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 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”	January 1, 2020
Amendments to IFRS 3 - Definition of a Business”	January 1, 2020
Amendments to IFSR 9, IAS 39, and IFRS 7 - Changes in Interest Rate Indicators	January 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.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in

the IFRS as endorsed by the FSC are as follows:

<u>Application of New/Revised/Amended Standards, Amendments and Interpretations</u>	<u>The Effective Date Announced by the International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17 - Insurance Contracts	January 1, 2021
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	44562

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

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidation basis and additions which are stated below, the rest are the same as Note 4 of the 2019 consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of compliance

1. These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 - Interim Financial Reporting endorsed by the FSC.
2. These consolidated financial statements shall be read together with the 2019 consolidated financial statements.

(II) Preparation Basis

1. Except for the following 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 amount of pension fund assets less net present value of defined benefit obligations.
2. Some material accounting estimates will be used for the preparation of financial reports to comply with IFS, IAS, interpretation and interpretation announcement (hereafter referred to as IFRSs), and also will be applied by the management for judgment in the application of the Company's accounting policies. For the items involving high judgment or complexity, or items involving material hypotheses and estimates of individual financial reports, please refer to the specific Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

The principles followed in preparing the consolidated financial statements are the same as those in 2019.

2. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiaries	Business activities	Percentage of shareholdings			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Elite Semiconductor Memory Technology Inc.	Elite Memory Technology Inc.	R&D, production, sales and relevant consulting service of integrated circuit	100	100	100	Note 1
Elite Semiconductor Memory Technology Inc.	CML Inc.	General Investment	-	-	100	Note 2 and 8
Elite Semiconductor Memory Technology Inc.	Charng Feng Investment Ltd.	General Investment	100	100	100	Note 1
Elite Semiconductor Memory Technology Inc.	Jie Young Investment Co., Ltd.	General Investment	41.86	41.86	41.86	Note 1 and 3
Elite Semiconductor Memory Technology Inc.	Elite Investment Services Ltd.	General Investment	100	100	100	
Elite Semiconductor Memory Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	General Investment	100	100	50	Note 1 and 4
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solution (Samoa) Inc.	Investigation and research of business situation and industrial technology	-	-	100	Note 2 and 5
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	Design, development and testing of products	100	100	100	Note 1
Charng 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	100	Note 1
Charng 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	96.44	79.37	79.37	Note 1
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials, manufacturing of electronic	100	100	-	Note 1 and 6

Investor	Name of subsidiaries	Business activities	Percentage of shareholdings			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Charng Feng Investment Ltd.	Elite Semiconductor Memory Technology (Shenzhen) Inc.	components, information software services and international trade Technical consultation and service, after-sales service	100	100		- Note 1 and 5
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	-	-		- Note 1 and 9
CML Inc.	Elite Innovation (B.V.I.) Ltd.	General Investment	-	-	100	Note 2 and 7
Elite Innovation (B.V.I.) 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 1 and 6
Elite Investment Services Ltd.	Elite Semiconductor (B.V.I.) Ltd.	General Investment	-	-	50	Note 1 and 4
Eon Silicon Solution (Samoa) Inc.	Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service	-	-	100	Note 1 and 5

Note 1. The financial statements of the entity as of and for the three-month periods ended March 31, 2020 and 2019 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

Note 2. The financial statements of the entity as of and for the three-month periods ended March 31, 2019 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

Note 3. Elite Semiconductor Memory Technology Inc. accounts for the majority of voting rights of Jie Yong Investment Ltd. with same management. It is evaluated to have substantial control, so it is included in the subsidiary of ESMT's consolidated financial reporting entity.

Note 4. Elite Investment Services Ltd. sold all its 50% equity in Elite Semiconductor (B.V.I.) Ltd. to Elite Semiconductor Memory Technology Inc. on June 27, 2019.

Note 5. Eon Silicon Solution (Samoa) Inc. completed the dissolution and liquidation on September 2, 2019, and sold its 100% equity of Elite Semiconductor Memory Technology (Shenzhen) Inc. to Charng Feng Investment Ltd.

Note 6. Elite Innovation (B.V.I.) Ltd. sold its 100% equity interest in Elite Innovation Japan Ltd. to Charng Feng Investment Ltd. on September 17, 2019.

Note 7. Elite Innovation (B.V.I) Ltd. went through the liquidation procedures in September 2019 and obtained the dissolution approval letter on March 6, 2020.

Note 8. CML Inc. went through liquidation procedures in December 2019.

Note 9. Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019 and has not applied for investment to Investment Commission, MOEA. It has not yet operated as of March 31, 2020.

3. Subsidiaries not absorbed into the consolidated financial reports: None.

4. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

5. Significant restrictions: None.

6. Subsidiaries with material non-controlling interest to the Group: None.

(IV) Employee Benefits

The pension cost in the interim period is based on the pension cost ratio decided upon actuation at the closing day of previous FY, from beginning until end of the year. If, after the closing date, there incurs material market changes, settlement, or other material one-time event, the defined benefit plans are to be adjusted, and relevant information is to be disclosed in accordance with the aforementioned policies.

(V) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There is no significant changes in the current period. Please refer to Note 5 of the consolidated financial statements for 2019.

VI. Summary of Significant Accounts

(I) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	\$ 171	\$ 171	\$ 172
Checking deposits and demand deposits	359,305	394,658	337,629
Time deposits	2,283,897	2,362,174	1,585,850
	<u>\$ 2,643,373</u>	<u>\$ 2,757,003</u>	<u>\$ 1,923,651</u>

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

2. For information on where the Group's use of cash and cash equivalents as pledge guarantees is restricted, please refer to Note 8.

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
TWSE/TPEX-listed stocks	\$ 576	\$ 1,567	\$ 47,361
Emerging stocks	148,013	148,013	170,444
Unlisted stocks, TWSE/TPEX-listed stocks, Emerging stocks	23,263	23,263	4,413
Beneficiary certificates	74,678	74,442	75,253
Corporate bonds	31,226	31,226	31,226
Preference share	14,629	14,510	14,917
Subtotal	292,385	293,021	343,614
Evaluation adjustment	(54,178)	(40,428)	(1,483)
Total	\$ 238,207	\$ 252,593	\$ 342,131

1. Financial assets measured at FVTPL that are recognized in profit or loss are detailed as follows:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 7,317)	\$ 29,773
Debt instruments	(5,705)	1,421
Beneficiary certificates	(240)	4,563
Total	(\$ 13,262)	\$ 35,757

2. The Group has no financial assets at fair value through profit or loss pledged to others.
3. For information on the credit risks of financial assets measured at FVTPL, please refer to Note XII and (II)3.(2).

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments			
Unlisted stocks, TWSE/TPEX-listed stocks, Emerging stocks	\$ 59,300	\$ 59,300	\$ 59,300
Evaluation adjustment	17,416	(8,524)	(1,093)
	\$ 76,716	\$ 50,776	\$ 58,207

The Group elects to classify its strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as at March 31, 2020, December 31, 2019 and March 31, 2019 amounted to NT\$76,716 thousand, NT\$50,776 thousand, and NT\$58,207 thousand, respectively.

(IV) Accounts Receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable - general customers	\$ 1,642,716	\$ 1,270,992	\$ 1,186,190
Accounts receivable - related parties	<u>759</u>	<u>241</u>	<u>825</u>
	1,643,475	1,271,233	1,187,015
Less: Allowance for losses	(14,295)	(14,295)	(14,295)
	<u>\$ 1,629,180</u>	<u>\$ 1,256,938</u>	<u>\$ 1,172,720</u>

1. The ageing analysis of accounts receivable is as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Not past due	\$ 1,592,791	\$ 1,256,700	\$ 1,172,720
Past due - within 30 days	36,389	238	-
Past due - 31~90 days	-	-	-
Past due - 91~180 days	-	-	-
Past due - over 181 days	14,295	14,295	14,295
	<u>\$ 1,643,475</u>	<u>\$ 1,271,233</u>	<u>\$ 1,187,015</u>

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

2. The amounts that best represent the maximum credit risk exposure of the Group's accounts receivables as at March 31, 2020, December 31, 2019 and March 31, 2019 without taking account of any collateral held or other credit enhancements were NT\$1,629,180 thousand, NT\$1,256,938 thousand, and NT\$1,172,720 thousand.
3. The collateral and fair value held by the Group as guarantee for accounts receivable are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Bank guarantee	\$ 41,568	\$ 43,494	\$ 58,246
Pledged certificate of deposit	7,500	7,500	7,500
Refundable deposits (listed in "other non-current liabilities")	8,863	8,794	8,630
Letters of credit	615,599	546,672	377,313
Company promissory note/check	<u>426,977</u>	<u>366,621</u>	<u>199,046</u>
	<u>\$ 1,100,507</u>	<u>\$ 973,081</u>	<u>\$ 650,735</u>

4. For information on the relevant credit risks of the accounts receivable, please refer to Note XII (II).
5. The balances of accounts receivable as of March 31, 2020, December 31, 2019 and March 31, 2019 are all generated by customer contracts, and the balance of receivables from customer contracts as of January 1, 2019 is NT\$1,105,913 thousand.
6. The Group has no accounts receivable provided as pledge guarantees.

(V) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 184,174	(\$ 7,729)	\$ 176,445
Work in process	4,637,738	(63,169)	4,574,569
Finished goods	978,613	(56,892)	921,721
Inventory in transit	74,209	-	74,209
	<u>\$ 5,874,734</u>	<u>(\$ 127,790)</u>	<u>\$ 5,746,944</u>
	December 31, 2019		
	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
	<u>\$ 5,141,748</u>	<u>(\$ 169,196)</u>	<u>\$ 4,972,552</u>
	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 430,186	(\$ 44,192)	\$ 385,994
Work in process	4,249,578	(139,248)	4,110,330
Finished goods	1,109,610	(103,845)	1,005,765
Inventory in transit	13,084	-	13,084
	<u>\$ 5,802,458</u>	<u>(\$ 287,285)</u>	<u>\$ 5,515,173</u>

The cost of inventories recognized as expense for the period:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Cost of inventories sold	\$ 2,997,744	\$ 2,253,750
Inventory valuation and obsolescence (recovery profit) loss	(41,406)	32,631
	<u>\$ 2,956,338</u>	<u>\$ 2,286,381</u>

From January 1 to March 31, 2020, since the inventory with provision for price loss in the previous period has been sold, there is gain from price recovery of inventory.

(VI) Investments accounted for using equity method

	2020	2019
January 1	\$ 33,210	-
The increase in investments accounted under equity method (Note)	-	43,838
Share of interests from investments under equity method	(2,427)	(3,096)
March 31	<u>\$ 30,783</u>	<u>\$ 40,742</u>

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	<u>\$ 30,783</u>	<u>\$ 33,210</u>	<u>\$ 40,742</u>

Note: The Group held 7,795 thousand shares or NT\$77,950 thousand in its subsidiary, Canyon Semiconductor Inc. (hereinafter referred to as Canyon Semiconductor). As the Group did not participate in Canyon Semiconductor Inc.'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 Ltd. purchased shares of Canyon Semiconductor Inc. in December 2019, increasing its percentage of shareholding from 38.21% to 40.93%. Though the Group no longer controls Canyon Semiconductor Inc., it has still significant influences on the subsidiary.

1. Associates

- (1) The basic information of the associates that are material to the Group is as follows:

Company name	Principal places of business	Percentage of shareholding			Nature of relationship
		March 31, 2020	December 31, 2019	March 31, 2019	
		Canyon Semiconductor Inc.	Taiwan	40.93%	

- (2) The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Canyon Semiconductor Inc.		
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 101,874	\$ 91,092	\$ 111,503
Noncurrent assets	1,192	1,596	3,248
Current liabilities	(27,858)	(11,549)	(8,125)
Total net assets	<u>\$ 75,208</u>	<u>\$ 81,139</u>	<u>\$ 106,626</u>
Share in the net assets of associates	\$ 30,783	\$ 33,210	\$ 40,742
Book value of associates	<u>\$ 75,208</u>	<u>\$ 81,139</u>	<u>\$ 106,626</u>

Statement of comprehensive income

	Canyon Semiconductor Inc.	
	January 1 to March 31, 2020	January 1 to March 31, 2019
Revenue	\$ 15,278	\$ 3,230
Net income (loss) for the year from the continuing department	<u>(\$ 5,932)</u>	<u>(\$ 8,102)</u>
Total comprehensive income (loss) for the current period	<u>(\$ 5,932)</u>	<u>(\$ 8,102)</u>

2. The above investment using equity method is based on the company's evaluation of financial reports that have not been reviewed by individual auditors during the same period. The recognition of investment (losses) gains is as follows:

Investee	January 1 to March 31, 2020	January 1 to March 31, 2019
Canyon Semiconductor Inc.	<u>(\$ 2,427)</u>	<u>(\$ 3,096)</u>

(VII) Property, plant, and equipment

	Land	Houses and buildings	Machinery equipment	Laboratory equipment	Others	Total
January 1, 2020						
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
January 1, 2020	\$ 9,023	\$ 271,053	\$ 77,156	\$ 102,906	\$ 236,190	\$ 696,328
Additions	-	-	3,600	6,056	13,734	23,390
Depreciation expenses	-	(8,530)	(4,690)	(5,439)	(55,487)	(74,146)
March 31	\$ 9,023	\$ 262,523	\$ 76,066	\$ 103,523	\$ 194,437	\$ 645,572
March 31, 2020						
Cost	\$ 9,023	\$ 635,941	\$ 433,382	\$ 255,358	\$ 1,244,782	\$ 2,578,486
Accumulated depreciation and impairment	-	(373,418)	(357,316)	(151,835)	(1,050,345)	(1,932,914)
	\$ 9,023	\$ 262,523	\$ 76,066	\$ 103,523	\$ 194,437	\$ 645,572
January 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
January 1, 2019	\$ 9,023	\$ 283,065	\$ 79,915	\$ 54,432	\$ 372,627	\$ 799,062
Additions	-	6,860	3,765	54,268	27,490	92,383
Effect of changes in consolidated entities	-	-	-	(336)	(2,843)	(3,179)
Depreciation expenses	-	(7,866)	(15,513)	(3,906)	(81,900)	(109,185)
March 31	\$ 9,023	\$ 282,059	\$ 68,167	\$ 104,458	\$ 315,374	\$ 779,081
March 31, 2019						
Cost	\$ 9,023	\$ 622,110	\$ 397,639	\$ 240,324	\$ 1,099,507	\$ 2,368,603
Accumulated depreciation and impairment	-	(340,051)	(329,472)	(135,866)	(784,133)	(1,589,522)
	\$ 9,023	\$ 282,059	\$ 68,167	\$ 104,458	\$ 315,374	\$ 779,081

1. The Group has no capitalization of interest from January 1 to March 31, 2020 and 2019.
2. The Group has no property, plant and equipment pledged to others.

(VIII) Lease Transaction - The Lessee

1. The underlying assets leased by the Group include land, houses and buildings, company cars and photocopiers. The lease contract period is usually between 2 and 20 years. The lease contract is negotiated individually and contains

various terms and conditions. The company cars and company dorms leased by the Group are classified as short-term lease contracts because the lease period does not exceed 12 months.

2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	March 31, 2020	December 31, 2019	March 31, 2019
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Land	\$ 64,786	\$ 65,641	\$ 68,206
Houses and buildings	13,838	19,270	30,285
Company vehicles	269	470	1,769
Photocopy machines	812	986	1,508
	<u>\$ 79,705</u>	<u>\$ 86,367</u>	<u>\$ 101,768</u>

	January 1 to March 31, 2020	January 1 to March 31, 2019
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 855	\$ 855
Houses and buildings	1,204	1,934
Company vehicles	201	433
Photocopy machines	174	174
	<u>\$ 2,434</u>	<u>\$ 3,396</u>

3. Profit and loss items associated with lease contracts are as follows:

	January 1 to March 31, 2020	January 1 to March 31, 2019
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 311	\$ 262
Rent expense of short-term leases	\$ 1,550	\$ -

4. The Group's total lease cash outflows from January 1 to March 31, 2020 and 2019 were NT\$4,165 thousand and NT\$3,043 thousand, respectively.

(IX) Investment property

	<u>Houses and buildings</u>
January 1, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	(1,698)
	<u>\$ 18,671</u>
January 1, 2020	
	\$ 18,671
Depreciation expenses	(242)
March 31	<u>\$ 18,429</u>
March 31, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	(1,940)
	<u>\$ 18,429</u>

	<u>Houses and buildings</u>	
January 1, 2019		
Cost	\$	20,369
Accumulated depreciation and impairment	(728)
	<u>\$</u>	<u>19,641</u>
January 1, 2019		
	\$	19,641
Depreciation expenses	(242)
March 31	<u>\$</u>	<u>19,399</u>
March 31, 2019		
Cost	\$	20,369
Accumulated depreciation and impairment	(970)
	<u>\$</u>	<u>19,399</u>

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

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Rental income from investment property	<u>\$ 652</u>	<u>\$ 652</u>
Direct operating expenses arising from the investment property generating rental income in the period	<u>\$ 242</u>	<u>\$ 242</u>

2. The fair values of the investment property held by the Group on March 31, 2020, December 31, 2019 and March 31, 2019 were NT\$10,533 thousand, NT\$10,538 thousand and NT\$11,089 thousand, respectively. These are results of the Group's assessment based on the income approach. The main assumptions are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Net income as a percentage of capital (Note)	<u>13.64%</u>	<u>13.86%</u>	<u>12.92%</u>

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

3. The Group has no capitalization of interest from January 1 to March 31, 2020 and 2019.
4. The Group has no investment property pledged as collateral.

(X) Intangible assets

	<u>Patent and special technology</u>	<u>Customer relations</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
January 1, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 203,852	\$ 330,088
Accumulated amortization and impairment	<u>(25,556)</u>	<u>(11,000)</u>	<u>(37,104)</u>	<u>(174,835)</u>	<u>(248,495)</u>
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 29,017</u>	<u>\$ 81,593</u>
January 1, 2020					
	\$ 8,922	\$ -	\$ 43,654	\$ 29,017	\$ 81,593
Additions	-	-	-	66,398	66,398
Amortization	<u>(1,275)</u>	<u>-</u>	<u>-</u>	<u>(23,684)</u>	<u>(24,959)</u>

expenses					
March 31	<u>\$ 7,647</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 71,731</u>	<u>\$ 123,032</u>
March 31, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 270,250	\$ 396,486
Accumulated amortization and impairment	<u>(26,831)</u>	<u>(11,000)</u>	<u>(37,104)</u>	<u>(198,519)</u>	<u>(273,454)</u>
	<u>\$ 7,647</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 71,731</u>	<u>\$ 123,032</u>

	Patent and special technology	Customer relations	Goodwill	Others	Total
January 1, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 159,069	\$ 285,305
Accumulated amortization and impairment	<u>(16,596)</u>	<u>(9,473)</u>	<u>(25,047)</u>	<u>(100,214)</u>	<u>(151,330)</u>
	<u>\$ 17,882</u>	<u>\$ 1,527</u>	<u>\$ 55,711</u>	<u>\$ 58,855</u>	<u>\$ 133,975</u>
January 1, 2019					
	\$ 17,882	\$ 1,527	\$ 55,711	\$ 58,855	\$ 133,975
Additions	-	-	-	2,682	2,682
Amortization expenses	<u>(2,873)</u>	<u>(917)</u>	<u>-</u>	<u>(18,203)</u>	<u>(21,993)</u>
March 31	<u>\$ 15,009</u>	<u>\$ 610</u>	<u>\$ 55,711</u>	<u>\$ 43,334</u>	<u>\$ 114,664</u>
March 31, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 161,751	\$ 287,987
Accumulated amortization and impairment	<u>(19,469)</u>	<u>(10,390)</u>	<u>(25,047)</u>	<u>(118,417)</u>	<u>(173,323)</u>
	<u>\$ 15,009</u>	<u>\$ 610</u>	<u>\$ 55,711</u>	<u>\$ 43,334</u>	<u>\$ 114,664</u>

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

	January 1 to March 31, 2020	January 1 to March 31, 2019
Operating costs	\$ 1,275	\$ 2,540
Selling expenses	92	1,027
Administrative expenses	170	173
Research and development expenses	23,422	18,253
	<u>\$ 24,959</u>	<u>\$ 21,993</u>

2. The Group has no capitalization of interest from January 1 to March 31, 2020 and 2019.

3. For the impairment of intangible assets, please refer to Note VI(XI).

4. The Group has not pledged intangible assets.

(XI) Impairment of non-financial assets

Goodwill conducts an Impairment test on the date of annual financial statements, and the recoverable amount is evaluated based on use value. The relevant impairment assessment assumptions of the Group as of March 31, 2020 have not changed significantly. Please refer to Note VI(XI) of the 2019 consolidated financial statements for goodwill impairment assessment.

(XII) Short-term borrowings

Loan type	March 31, 2020	Interest rate collars	Collateral
Borrowings from banks			
Credit loan	<u>\$ 454,000</u>	0.95% ~ 1.90%	None

<u>Loan type</u>	<u>December 31, 2019</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Borrowings from banks			
Credit loan	\$ 274,000	0.98% ~1.90%	None

<u>Loan type</u>	<u>March 31, 2019</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Borrowings from banks			
Credit loan	\$ 550,000	0.98% ~ 1.20%	None

Interest expenses recognized in profit or loss for the three-month periods ended March 31, 2020 and 2019 were NT\$1,341 thousand and NT\$1,919 thousand.

(XIII) Other payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Salary and bonus payables	\$ 331,801	\$ 295,252	\$ 313,348
Remuneration to employees and Directors	58,715	36,191	60,553
Payable on equipment	20,373	58,026	22,291
Others	82,178	73,054	66,287
	<u>\$ 493,067</u>	<u>\$ 462,523</u>	<u>\$ 462,479</u>

(XIV) Pension

1. (1) In compliance with the requirements set forth in the Labor Standards Act, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Act), the implementation of the Labor Pension Act on July 1, 2005. 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 pension costs recognized by the Group in accordance with the above pension plan were NT\$135 thousand and NT\$135 thousand for the three-month period ended March 31, 2020 and 2019, respectively.
 - (3) The Company expects to pay NT\$153 thousand for the retirement plan within one year after March 31, 2020.
2. (1) Starting from July 1, 2005, the Company and subsidiaries have set up a Defined Contribution Plan for all employees with ROC citizenship in accordance with the Labor Pension Act. 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) Subsidiary Eon Silicon Solutions, Inc. USA established a 401(K) plan based on the US Government's National Tax Regulation 401(K), and local employees can allocate a certain amount of salary to the pension account each month within the upper limit; the Company may cooperate with the allocation according to its policy of rewarding or comforting employees.
- (3) 2. The Company's subsidiary Elite Semiconductor Memory Technology (Shenzhen) Inc. has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages. The employee pension is managed and arranged by the government. Other than the monthly contributions, the Group has no further obligations.
- (4) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the three-month periods ended March 31, 2020 and 2019 were NT\$7,902 thousand and NT\$7,571 thousand, respectively.

(XV) Share-based payments

1. From January 1 to March 31, 2020 and 2019, the Company's share-based payment agreement is as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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. The accumulative proportion of the new equity that can be obtained after the two-year, three-year and four-year service expirations are 50%, 75% and 100% respectively.

Note 2. The number of grants given by the Company to the Eon Silicon Solution Inc. employee stock option plan is the amount given on the original plan grant date. After the merger, Eon Silicon Solution Inc.'s 2010 and 2013 employee stock option plans have 219 thousand shares and 688 thousand shares in circulation.

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

2. The details of the preceding share-based payment agreement are as follows:
Employee share subscription plan succeeded from Eon Silicon Solution Inc.:

	2020		2019	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding stock options as of January 1	543	\$ 59.2~303.4	621	\$ 62.3~319.0
Outstanding stock options as of March 31	543	\$ 59.2~303.4	621	\$ 62.3~319.0
Exercisable stock options as of March 31	543		621	

3. For the Three-Month Periods Ended March 31, 2020 and 2019, there was no option exercise.
4. As of March 31, 2020, December 31, 2019 and March 31, 2019, the outstanding stock options have exercise price ranges of NT\$59.2 to NT\$303.4, NT\$59.2 to NT\$303.4, and NT\$62.3 to NT\$319.0. The weighted average remaining contract periods are 3.39 years, 3.64 years and 4.39 years.
5. The fees for the above-mentioned share-based payment transactions for the three-month periods ended to March 31, 2020 and 2019 are both NT\$0.

(XVI) Share capital

1. As of March 31, 2020, the Company's authorized capital was NT\$3,500,000 thousand, divided into 350,000 thousand shares (including 20,000 thousand shares that can be subscribed by the employee stock option), the paid-in capital was NT\$2,857,589 thousand, and the nominal amount per share was NT\$10.

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

	Shares: thousand shares	
	2020	2019
Outstanding shares as of January 1	272,320	272,320
Subsidiary's acquisition of parent company's stock is regarded as treasury stock transaction	(715)	-
Outstanding shares as of March 31	271,605	272,320
Treasury stocks at the end of the period	14,154	13,439
Number of shares issued as of March 31	285,759	285,759

2. Treasury stock

The Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as of March 31, 2020, December 31, 2019, and March 31, 2019 due to the parent company's business strategy, were 14,154 thousand shares, 13,439 thousand shares and 13,439 thousand shares, with carrying amounts of NT\$347,942 thousand, NT\$328,048 thousand and NT\$328,048 thousand, respectively; the average book value per share were NT\$24.6, NT\$24.4 and NT\$24.4, and the fair value per share were NT\$28.30, NT\$38.90

and NT\$31.55.

(XVII) Capital surplus

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

	2020				
	Treasury stock transactions	Recognition of effects from all equity changes in subsidiaries and associates	Employee share option	Others	Total
January 1	\$ 1,661	\$ 94,949	\$ 3,913	\$ 3,782	\$ 104,305
Recognition of effects from all equity changes in subsidiaries - Non-controlling	-	(1,633)	-	-	(1,633)
March 31	\$ 1,661	\$ 93,316	\$ 3,913	\$ 3,782	\$ 102,672

	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
The changes in the net value of shares issued by subsidiaries not recognized in proportion to the shareholding	-	35,475	-	-	35,475
March 31	\$ 1,661	\$ 85,185	\$ 3,913	\$ 3,788	\$ 94,547

(XVIII) Retained earnings

1. According to the Company's Articles of Association, current year's earnings, if any, shall be distributed in the following order:
 - (1) Pay taxes.
 - (2) Deficit Compensation.
 - (3) Appropriate 10% to be the legal surplus reserve.
 - (4) Set aside another sum as special reserve if necessary.
 - (5) In case unappropriated surplus is found, the balance will be allocated as dividend for shareholders, and will be distributed according to the ratio of shareholders or withheld as accumulated earnings pursuant to the resolution from the shareholders' meeting.
2. Dividend policies

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

3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. (1) In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.
(2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012 shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
5. On March 18, 2019, the 2018 surplus distribution was approved by the resolution of the Board of Directors. It is proposed to provide a statutory surplus reserve of NT\$70,651 thousand and distribute shareholders' cash dividends of NT\$1.5 per share, which is NT\$428,638 thousand. The aforementioned surplus distribution was approved by the shareholders' meeting on June 13, 2019.
6. On March 20, 2020, the 2019 surplus distribution was approved by the resolution of the Board of Directors. It is proposed to provide a statutory surplus reserve of NT\$49,804 thousand and distribute shareholders' cash dividends of NT\$1 per share, which is NT\$285,759 thousand. The aforementioned surplus distribution has not been approved by the shareholders' general meeting.

(XIX) Operating income

	January 1 to March 31, 2020	January 1 to March 31, 2019
Revenue from customer contracts	<u>\$ 3,663,730</u>	<u>\$ 2,624,365</u>

1. Disaggregation of revenue from contracts with customers

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:

January 1 to March 31, 2020	Domestic	Asia	Others	Total
Integrated circuit	<u>\$ 1,678,728</u>	<u>\$ 1,944,753</u>	<u>\$ 40,249</u>	<u>\$ 3,663,730</u>

January 1 to March 31, 2019	Domestic	Asia	Others	Total
Integrated circuit	\$ 1,174,736	\$ 1,392,046	\$ 57,583	\$ 2,624,365

2. Contract liabilities

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

	March 31, 2020	December 31, 2019	March 31, 2019	January 1, 2019
Contract liabilities - Advanced from customers	\$ 48,361	\$ 3,959	\$ 15,842	\$ 3,710

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

	January 1 to March 31, 2020	January 1 to March 31, 2019
Contract liabilities - Advanced from customers	\$ 3,809	\$ 84

(XX) Other revenue

	January 1 to March 31, 2020	January 1 to March 31, 2019
Interest income:		
Interest from bank deposits	\$ 10,203	\$ 10,299
Interest income from financial assets at amortized cost	698	57
Other interest incomes	247	355
Total interest income	11,148	10,711
Rent income	1,389	1,654
Other income - others	1,169	2,564
	<u>\$ 13,706</u>	<u>\$ 14,929</u>

(XXI) Other gains or losses

	January 1 to March 31, 2020	January 1 to March 31, 2019
Foreign exchange gains - net	19,622	11,775
Profits (Losses) of Financial Assets Measured at Fair Value through Profit or Loss	(13,262)	35,757
Gains on lease modification	26	-
Other expenses	(242)	(242)
	<u>\$ 6,144</u>	<u>\$ 47,290</u>

(XXII) Financial costs

	January 1 to March 31, 2020	January 1 to March 31, 2019
Interest expenses:		
Borrowings from banks	\$ 1,341	\$ 1,919
Provisions - discount amortization	353	323
Lease liabilities	311	262
Total interest expenses	2,005	2,504
Others	92	263
	<u>\$ 2,097</u>	<u>\$ 2,767</u>

(XXIII) Additional information on the nature of these expenses

	January 1 to March 31, 2020	January 1 to March 31, 2019
Employee benefits expenses	<u>\$ 301,282</u>	<u>\$ 215,815</u>
Depreciation expenses of property, plant, and equipment	<u>\$ 74,146</u>	<u>\$ 109,185</u>
Depreciation expenses of right-of-use assets	<u>\$ 2,434</u>	<u>\$ 3,396</u>
Depreciation expenses of investment property	<u>\$ 242</u>	<u>\$ 242</u>
Amortization expenses of intangible assets	<u>\$ 24,959</u>	<u>\$ 21,993</u>

(XXIV) Employee benefits expenses

	January 1 to March 31, 2020	January 1 to March 31, 2019
Salaries and wages	\$ 272,866	\$ 189,443
Labor insurance and national health insurance	13,413	13,205
Pension expenses	8,037	7,706
Remuneration to Directors	1,262	236
Other personnel cost	5,704	5,225
	<u>\$ 301,282</u>	<u>\$ 215,815</u>

1. According to the provisions of the Company's Articles of Association, the pre-tax interest of the current year should be deducted from the distribution of employees' compensation and the benefits of Directors' remuneration, and not less than 5% of employees' compensation and 1% of Directors' remuneration.

2. For the three-month periods ended March 31, 2020 and 2019, the Company's compensation to employees were recognized in the amounts equal to NT\$18,770 thousand and NT\$5,737 thousand, respectively; and remuneration to Directors and Supervisors were recognized in the amounts equal to NT\$3,754 thousand and NT\$1,147 thousand, respectively, all presented under the payroll expense account.

For the three months ended March 31, 2020, it is estimated at 5% and 1% based on the profitability as of the current year. As of May 14, 2020, it has not been actually allocated.

3. The employees' compensation and Directors' remuneration for 2019 resolved by the Board of Directors are the same as the amount recognized in the financial statements for 2019.

4. Information regarding employees' compensation and Directors' remuneration approved by the Board of Directors of the Company can be found at the open information observatory.

(XXV) Income tax

1. Income tax expenses

(1) Components of income tax expenses:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Current income tax:		
Income tax incurred in current period	<u>\$ 43,208</u>	<u>\$ 4,557</u>

Total income tax in the period	43,208	4,557
Deferred income tax:		
Initial recognition and reversal of temporary differences	(1,977)	7,324
Income tax expenses	<u>\$ 41,231</u>	<u>\$ 11,881</u>

(2) Income tax (charge)/credit relating to components of other comprehensive income: None

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

2. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(XXVI) Earnings per share

	January 1 to March 31, 2020		
	After-tax amount	Weighted average number of common shares outstanding (in thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit for the period attributable to ordinary shareholders of the parent company	\$ 311,666	280,133	<u>1.11</u>
Assumed conversion of dilutive potential ordinary shares (Note)			
Remuneration to employees		<u>1,771</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company considering the assumed conversion of all dilutive potential ordinary stocks	\$ 311,666	<u>281,904</u>	<u>1.11</u>

	January 1 to March 31, 2019		
	After-tax amount	Weighted average number of common shares outstanding (in thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit for the period attributable to ordinary shareholders of the parent company	\$ 96,003	280,133	<u>0.34</u>
Assumed conversion of dilutive potential ordinary shares (Note)			
Remuneration to employees		<u>1,343</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company considering the assumed conversion of all dilutive potential ordinary stocks	\$ 96,003	<u>281,476</u>	<u>0.34</u>

Note: For the three months ended March 31, 2020 and 2019, since employee stock option has anti-dilution effect, thus is not computed.

(XXVII) Transactions with non-controlling interests

1. On March 30, 2020, the Group purchased additional issued shares of its subsidiary, Elite Silicon Technology Inc. for NT\$1,752 thousand in cash. The carrying amount of Elite Silicon Technology Inc.'s non-controlling interest on the acquisition date was NT\$119 thousand, and the equity attributable to

owners of the parent company decreased by NT\$1,633 thousand. The impact of the changes in the equity of Elite Silicon Technology Inc. for the three months ended on March 31, 2020 on the equity attributable to owners of the parent is as follows:

	2020
Carrying amount of non-controlling interests	\$ 119
Consideration paid to non-controlling interests	(1,752)
Capital reserve - Difference in the share price and nominal value of the acquired shares of subsidiaries	(\$ 1,633)

2. Canyon Semiconductor Inc., a subsidiary of the Group, issued new shares in cash on March 4, 2019. The Group did not subscribe according to the proportion of shares held, thus reducing 39.74% equity. The transaction reduces the non-controlling interest by NT\$2,365 thousand and the equity attributable to owners of the parent increases by NT\$35,475 thousand.

(XXVIII) Supplemental cash flow information

1. Investing activities with partial cash payments:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Purchase of property, plant, and equipment	\$ 23,390	\$ 92,383
Add: Beginning equipment payables	58,026	41,100
Less: End equipment payables	(20,373)	(22,291)
Cash paid in the period	<u>\$ 61,043</u>	<u>\$ 111,192</u>

2. Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Deposits received	Total financing liability
January 1, 2020	\$ 274,000	\$ -	\$ 86,887	\$ 9,871	\$ 370,758
Changes in financing cash flows	180,000	-	(2,304)	-	177,696
Interest payments	-	-	(311)	-	(311)
Interest expenses	-	-	311	-	311
Lease modification changes	-	-	(4,253)	-	(4,253)
March 31, 2020	<u>\$ 454,000</u>	<u>\$ -</u>	<u>\$ 80,330</u>	<u>\$ 9,871</u>	<u>\$ 544,201</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Deposits received	Total financing liability
January 1, 2019	\$ 370,000	\$ 99,932	\$ 105,090	\$ 9,601	\$ 584,623
Changes in financing cash flows	180,000	-	(2,781)	(121)	177,098
Interest payments	-	-	(262)	-	(262)
Interest expenses	-	-	262	-	262
Other non-cash changes	-	(83)	(558)	-	(641)
Foreign exchange impact amount	-	-	74	-	74
March 31, 2019	<u>\$ 550,000</u>	<u>\$ 99,849</u>	<u>\$ 101,825</u>	<u>\$ 9,480</u>	<u>\$ 761,154</u>

VII. Related-Party Transactions

(I) Names of related parties and relationship

Name	Relationship with the Group
Arima Lasers Corp.	The Company's subsidiary as the Company's Director
Canyon Semiconductor Inc.	Investee under indirect equity valuation method

(II) Remuneration to key management

	January 1 to March 31, 2020	January 1 to March 31, 2019
Salary and other short-term employees' benefits	\$ 14,877	\$ 8,363
Benefits after retirement	108	108
Total	<u>\$ 14,985</u>	<u>\$ 8,471</u>

VIII. Pledged Assets

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

Assets	Carrying amount			Purpose of pledge item
	March 31, 2020	December 31, 2019	March 31, 2019	
Time deposits (listed in "other current assets")	\$ 3,969	\$ 3,969	\$ 2,267	Guarantee for the land leased

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Unused letters of credit issued

	March 31, 2020	December 31, 2019	March 31, 2019
Unused letters of credit issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,349</u>

X. Significant Disaster Losses

None.

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

None.

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 Company 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 March 31, 2020, December 31, 2019 and March 31, 2019 are as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Total asset value	\$ 11,511,081	\$ 10,480,320	\$ 10,267,289
Total liabilities	(3,854,394)	(3,139,541)	(2,895,357)
Total equity	<u>\$ 7,656,687</u>	<u>\$ 7,340,779</u>	<u>\$ 7,371,932</u>
Debt-to-capital ratio	<u>50%</u>	<u>43%</u>	<u>39%</u>

(II) Financial Instruments

1. Types of Financial instruments

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 238,207</u>	<u>\$ 252,593</u>	<u>\$ 342,131</u>
Financial assets at fair value through other comprehensive income			
Designated equity instrument investment	<u>\$ 76,716</u>	<u>\$ 50,776</u>	<u>\$ 58,207</u>
Financial assets measured at cost after amortization			
Cash and cash equivalents	\$ 2,643,373	\$ 2,757,003	\$ 1,923,651
Financial assets measured at cost after amortization - current	81,608	140,906	30,820
Notes receivable	249	34	-
Accounts Receivable	1,629,180	1,256,938	1,172,720
Other receivables	5,180	82,741	6,694
Time deposits (listed in other current assets)	3,969	3,969	2,267
Refundable deposits (listed in other non-current assets)	5,667	6,261	6,395
	<u>\$ 4,369,226</u>	<u>\$ 4,247,852</u>	<u>\$ 3,142,547</u>
<u>Financial liabilities</u>			
Short-term borrowings	\$ 454,000	\$ 274,000	\$ 550,000
Short-term notes and bills payable	-	-	99,849
Notes payable	1,900	1,981	2,321
Accounts payable	2,651,558	2,225,909	1,482,927
Other payables	493,067	462,523	462,479
Guarantee deposits (listed as other non-current assets)	9,871	9,871	9,480
	<u>\$ 3,610,396</u>	<u>\$ 2,974,284</u>	<u>\$ 2,607,056</u>
Lease liabilities	<u>\$ 80,330</u>	<u>\$ 86,887</u>	<u>\$ 101,825</u>

2. Risk management policy

- (1) The Group adopts overall risk management and control system to clearly identify, measure and control all kinds of risks, including market risk, credit

risk, liquidity risk and cash flow risk, which allows the management level to effectively control and measure market risk, credit risk, liquidity risk, and cash flow risk.

- (2) In order to ensure effective control and achieve various market risk management targets to attain optimal risk positioning, maintain adequate liquidity while collectively managing all market risks, the Group will take factors such as consideration for the overall economic environment, status of competition and market value risks.

3. Significant financial risks and degrees of financial risks

(1) Market Risks

Foreign exchange risk

- A. The Group operates internationally and is exposed to foreign exchange risk arising from various functional currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.
- B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. 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 VI (I) for details.
- D. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD) and is 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:

(Foreign currency: Functional currency)	March 31, 2020		
	Foreign currency (thousand)	Exchange rate	Book value (NT\$1,000)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 117,744	30.225	\$ 3,558,812
CNY: NTD	136,468	4.255	580,671
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 51,882	30.225	\$ 1,568,133

(Foreign currency: Functional currency)	December 31, 2019		
	Foreign currency (thousand)	Exchange rate	Book value (NT\$1,000)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 120,486	29.980	\$ 3,612,170
CNY: NTD	56,049	4.305	241,291
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 47,708	29.980	\$ 1,430,286

(Foreign currency: Functional currency)	March 31, 2019		
	Foreign currency (thousand)	Exchange rate	Book value (NT\$1,000)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 88,831	30.820	\$ 2,737,771
CNY: NTD	49,772	4.580	227,956
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 27,213	30.820	\$ 838,705

- E. The monetary items of the Group have a significant impact due to exchange rate fluctuations. The total amount of all exchange (loss) benefits (including realized and unrealized) recognized for the three-month periods ended March 31, 2020 and 2019 were NT\$19,622 thousand and NT\$11,775 thousand.
- F. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

(Foreign currency: Functional currency)	January 1 to March 31, 2020		
	Sensitivity analysis		
	Range of change	Effect on (loss) profit	Effectuated on other comprehensive (loss) profit
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 35,588	\$ -
CNY: NTD	1%	5,807	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 15,681	\$ -

(Foreign currency: Functional currency)	January 1 to March 31, 2020		
	Sensitivity analysis		
	Range of change	Effect on (loss) profit	Effectuated on other comprehensive (loss) profit
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 27,378	\$ -
CNY: NTD	1%	2,280	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 8,387	\$ -

Price risk

- 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 increase or decrease by 10%, with all other factors remaining unchanged, profit after tax for the three months period ended March 31, 2020 and 2019 will increase or decrease by NT\$23,821 thousand and NT\$34,213 thousand respectively due to gain or loss on equity instruments at fair value through profit or loss, and other comprehensive income for the same years will increase or decrease by NT\$7,672 thousand and NT\$5,821 thousand respectively due to gain or loss on equity instruments at fair value through other comprehensive income.

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 financial loss risk due to the inability of the client or the financial instrument counterparty to perform its contractual obligations. It usually occurs when the counterparty is unable to pay off the accounts payable according to the payment terms, and is classified as contractual cash flow from debt instrument investments measured at fair value through other comprehensive profit or loss or through profit or loss measured by fair value.
- B. The Group manages their credit risk taking into consideration 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 adopted the following assumptions under IFRS 9 to judge whether there is any evidence that the credit risk of financial instruments has been significantly increased after initial recognition.
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization 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 the recourse procedures, the Group writes off financial assets to the extent of the amount that cannot be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order to secure its creditor's rights.
- G. The financial assets held by the Group that are measured at amortized cost are time deposits, repurchasable bond and restricted time deposits held in banks. The credit ratings of these banks are good, and there has been no overdue situation in the past. Moreover, considering that there is no major change in the overall economic environment, the risk of credit loss assessment is extremely low and the amount of impact on the financial statements is not large.
- H. For the aging analysis of customers' accounts receivable and collateral information, please refer to the explanation in Note VI(IV). Considering the Group's right to request collateral or other guarantees for major transaction partners, the Group's accounts receivable from customers are grouped according to the characteristics of the collateral, and the simplified method is adopted to estimate the expected credit loss based on the loss rate method. Based on this evaluation, the recognized allowance losses of the Group were small as of March 31, 2020, December 31, 2019, and March 31, 2019.
- I. Changes in loss allowance for accounts receivables using the simplified approach are stated as follows:

	2020	2019
	Accounts Receivable	Accounts Receivable
January 1	\$ 14,295	\$ 4,289
Provision of impairment loss	-	10,006
March 31	\$ 14,295	\$ 14,295

(3) Liquidity Risk

- A. Cash flow forecasting is performed by each operating entity 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. Each operating entity's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, 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 analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities categorized into relevant maturity groups, i.e. 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:

March 31, 2020	Within 1 year	1 to 5 years	Over 5 years
Short-term borrowings	\$ 454,000	\$ -	\$ -
Notes payable	1,900	-	-
Accounts payable	2,651,558	-	-
Other payables	493,067	-	-
Lease liabilities	10,360	24,823	55,612
Deposits received	-	-	9,871

Derivative financial liabilities: None.

Non-derivative financial liabilities:

December 31, 2019	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
Deposits received	-	-	9,871

Derivative financial liabilities: None.

Non-derivative financial liabilities:

March 31, 2019	Within 1 year	1 to 5 years	Over 5 years
Short-term borrowings	\$ 550,525	\$ -	\$ -
Short-term notes and bills payable	99,849	-	-
Notes payable	2,321	-	-
Accounts payable	1,482,927	-	-
Other payables	462,479	-	-
Lease liabilities	14,578	40,256	59,582
Deposits received	-	-	9,480

Derivative financial liabilities: None.

(III) Fair value information

1. The different levels of inputs used in the valuation techniques for measuring the fair value of financial and non-financial instruments have been defined as follows:

Level I. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. 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 of the Group are included in this category.

Level II. Inputs other than quoted prices included within Level 1 that are observable

for the asset or liability, either directly or indirectly.

Level III. 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. Fair value information of investment property at cost is provided in Note VI(IX).
3. The Group's financial instruments are not measured at fair value with carrying amounts approximate to their fair values, which include cash and cash equivalents, time deposits (more than three months), notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and guarantee deposits.
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:

- (1) The related information of assets and liabilities categorized by their nature is as follows:

March 31, 2020	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ 65,380	\$ 1,938	\$ 42,742	\$ 110,060
Beneficiary certificates	84,040	-	-	84,040
Debt securities	44,107	-	-	44,107
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	76,716	76,716
	<u>\$ 193,527</u>	<u>\$ 1,938</u>	<u>\$ 119,458</u>	<u>\$ 314,923</u>

Financial liabilities: None.

December 31, 2019	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
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
	<u>\$ 215,199</u>	<u>\$ 2,217</u>	<u>\$ 85,953</u>	<u>\$ 303,369</u>

Financial liabilities: None.

March 31, 2019	Level I	Level II	Level III	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ 194,569	\$ 1,715	\$ 11,543	\$ 207,827
Beneficiary certificates	85,873	-	-	85,873
Debt securities	48,431	-	-	48,431
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	58,207	58,207
	<u>\$ 328,873</u>	<u>\$ 1,715</u>	<u>\$ 69,750</u>	<u>\$ 400,338</u>

Financial liabilities: None.

(2) The methods and assumptions of fair value measurement are as follows:

A. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

TWSE/TPEX-listed and emerging
stocks

Market quoted price	Closing price	Open-end fund Net value
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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. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted 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. There was no transfer between Level 1 and Level 2 of the fair value hierarchy as at the three-month periods ended March 31, 2020 and 2019.

6. The movement on Level 3 for the three-month period ended March 31, 2020 and 2019 is as follows:

	Equity securities	
	2020	2019
January 1	\$ 85,953	\$ 66,115
Evaluation adjustment	33,505	3,635
March 31	\$ 119,458	\$ 69,750

7. The finance department of the Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.
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:

	March 31, 2020 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted- average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 27,592	Comparable company analysis	Discount for lack of marketability	30%	Insufficient market liquidity; the higher the discount, the lower the fair value
Unlisted shares	76,716	Comparable company analysis	Discount for lack of marketability	40%	Insufficient market liquidity; the higher the discount, the lower the fair value
Unlisted shares	15,150	Recent transaction price	N/A	N/A	N/A
	December 31, 2019 Fair value	Valuation technique	Significant unobservable input value	Interval (weighted- average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 20,027	Comparable company analysis	Discount for lack of marketability	30%	Insufficient market liquidity; the higher the discount, the lower the fair value
Unlisted shares	50,776	Comparable company analysis	Discount for lack of marketability	40%	Insufficient market liquidity; the higher the discount, the lower the fair value
Unlisted shares	15,150	Recent transaction price	N/A	N/A	N/A

	Fair value as of March 31, 2019	Valuation technique	Significant unobservable input value	Interval (weighted- average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 11,543	Comparable company analysis	Discount for lack of marketability	20%~40%	Insufficient market liquidity; the higher the discount, the lower the fair value
Unlisted shares	58,207	Comparable company analysis	Discount for lack of marketability	40%	Insufficient market liquidity; the higher the discount, the lower the fair value

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 measurement. 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:

		March 31, 2020				
		Recognized in profit and loss		Recognized in other comprehensive profit and loss		
		Favorable change	Unfavorable change	Favorable change	Unfavorable change	
	Input	Change				
Financial assets - equity instrument	Evaluation for lack of marketability	±10%	\$ 1,183	(\$ 1,183)	\$ 5,114	(\$ 5,114)
		December 31, 2019				
		Recognized in profit and loss		Recognized in other comprehensive profit and loss		
		Favorable change	Unfavorable change	Favorable change	Unfavorable change	
	Input	Change				
Financial assets - equity instrument	Evaluation for lack of marketability	±10%	\$ 858	(\$ 858)	\$ 3,384	(\$ 3,384)
		March 31, 2019				
		Recognized in profit and loss		Recognized in other comprehensive profit and loss		
		Favorable change	Unfavorable change	Favorable change	Unfavorable change	
	Input	Change				
Financial assets - equity instrument	Evaluation for lack of marketability	±10%	\$ 689	(\$ 689)	\$ -	\$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions:

1. Loaning Funds to others: 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 Appendix Table 2.

(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 regarding investment in the territory of Mainland China

1. Basic information: Please refer to Appendix Table 4.
2. Significant Transactions with Investee Companies in Mainland China, Either Directly or Indirectly through a Business at Third Location: None.

(IV) Information on major shareholders

As of March 31, 2020, the Company did not have any shareholders with a shareholding ratio of more than 5%.

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:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Income from external customers	\$ 3,663,730	\$ 2,624,365
Segment net profit before tax	\$ 352,845	\$ 107,358
	March 31, 2020	March 31, 2019
Segment assets	\$ 11,511,081	\$ 10,267,289
Segment liabilities	\$ 3,854,394	\$ 2,895,357

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

Elite Semiconductor Memory Technology Inc. and its Subsidiaries
Securities held at the end of the period
March 31, 2020

Appendix Table 1

Unit: NT\$ thousand
(Unless otherwise indicated)

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting titles in statements	End of the period				Remarks
				Number of shares	Book value (Note)	Ratio of shareholding	Fair value (Note)	
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	\$ 51,307	12.26	\$ 51,307	
Elite Semiconductor Memory Technology Inc.	Shares of King Yuan Electronics Co., Ltd.	None	Financial assets at fair value through profit and loss	10,000	302	0.00	302	
Elite Semiconductor Memory Technology Inc.	HSBC FRN Perpetual Bond	None	Financial assets at fair value through profit and loss	1,000,000	19,935	N/A	19,935	
Elite Semiconductor Memory Technology Inc.	ANZ FRN Perpetual Bond	None	Financial assets at fair value through profit and loss	500,000	9,041	N/A	9,041	
Elite Semiconductor Memory Technology Inc.	BGF RENMINBI BOND FUND	None	Financial assets at fair value through profit and loss	127,986	52,881	N/A	52,881	
Elite Semiconductor Memory Technology Inc.	Preference shares of Turning Point Lasers Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	38,358	8.06	38,358	
Elite Investment Services Ltd.	USD preference share - HSBC bond	None	Financial assets at fair value through profit and loss	20,000	15,131	N/A	15,131	
Elite Investment Services Ltd.	HSBC RQFII China Fixed Income Fund	None	Financial assets at fair value through profit and loss	600,000	31,159	N/A	31,159	
Charng Feng Investment., Ltd.	Shares of King Yuan Electronics Co., Ltd.	None	Financial assets at fair value through profit and loss	10,000	302	0.00	302	
Charng Feng Investment., Ltd.	Shares of Arima Lasers Corp.	None	Financial assets at fair value through profit and loss	907,000	13,469	3.22	13,469	
Charng Feng Investment., Ltd.	Shares of Ushine Photonics Corp.	None	Financial assets at fair value through profit and loss	115,519	710	0.41	710	
Charng Feng Investment., Ltd.	Shares of Brightek Optoelectric Co., Ltd.	None	Financial assets at fair value through profit and loss	90,601	1,228	0.15	1,228	
Charng Feng Investment., Ltd.	Shares of M3 Technology Inc.	None	Financial assets at fair value through profit and loss	600,000	20,926	1.63	20,926	
Charng Feng Investment., Ltd.	Shares of M2 Communication Inc.	None	Financial assets at fair value through profit and loss	2,000,000	6,666	7.89	6,666	
Charng Feng Investment., Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit and loss	1,500,000	15,150	0.05	15,150	
Charng Feng Investment., Ltd.	Preference shares of Turning Point Lasers Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	38,358	8.06	38,358	
Jie Yong Investment Co., Ltd.	Shares of Elite Semiconductor Memory Technology Inc.	Parent company	Financial assets at fair value through other comprehensive income	14,154,000	400,558	4.95	400,558	

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

Elite Semiconductor Memory Technology Inc. and its Subsidiaries
 Significant inter-company transactions during the reporting periods.
 January 1, 2020 to March 31, 2020

Unit: NT\$ thousand
 (Unless otherwise indicated)

Appendix Table 2

No. (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions			Percentage to consolidated net revenue or total assets (Note 3)
				Title	Amount	Terms and conditions	
0	Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	(1)	Research and development expenses	\$ 28,818	Note 4	0.79%

Note 1. The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) The number 0 represents the parent company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

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

- (1) The parent company to the consolidated subsidiary.
- (2) The consolidated subsidiary to the parent company.
- (3) The consolidated subsidiary to another consolidated subsidiary.

Note 3. Regarding the percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on ending balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4. The transaction conditions 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, 2020 to March 31, 2020

Unit: NT\$ thousand
(Unless otherwise indicated)

Appendix Table 3

Investor	Name of investee	Location	Principal businesses	Original investment amount		Ending shareholding			Profit/loss of the investee for the period	Investment income (loss) recognized by the Company	Remarks
				Current period-end	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	\$ 40,131	\$ 9,952	\$ 9,952	
Elite Semiconductor Memory Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General Investment	500,000	500,000	50,000,000	100	409,139	3,133	3,133	
Elite Semiconductor Memory Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General Investment	453,375	453,375	15	100	631,987	4,266	4,266	
Elite Semiconductor Memory Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	British Virgin Islands	General Investment	169,777	169,777	1,000	100	23,441	(3,187)	(3,187)	
Elite Semiconductor Memory Technology Inc.	Jie Young Investment Ltd.	Taiwan	General Investment	270,000	270,000	3,600,000	41.86	138,666	(36)	(15)	
Elite Semiconductor Memory Technology Inc.	Eon Silicon Solutions, Inc. USA	USA	Design, development and testing of products	13,304	13,304	200,000	100	4,503	5,673	5,673	
Charng Feng Investment Ltd.	3R Semiconductor Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	69,407	69,407	10,000,000	100	22,396	(124)	(124)	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	61,039	59,288	7,329,160	96.44	(178)	(878)	(847)	
Charng Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, electronic component manufacturing, product design, and information software services	80,337	80,337	8,350,000	40.93	30,783	(5,932)	(2,427)	
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	2,788	2,788	200	100	2,198	(118)	(118)	

Note: The foreign currency investment amount is converted according to the exchange rate on March 31, 2020.

Elite Semiconductor Memory Technology Inc. and its Subsidiaries
Information regarding investment in the territory of Mainland China - Basic information
January 1, 2020 to March 31, 2020

Unit: NT\$ thousand
(Unless otherwise indicated)

Appendix Table 4

Names of investees in China	Principal businesses	Paid-in Capital (Note 4)	Investment methods (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 5)		Accumulated amount of investment remitted from Taiwan at ending	Profit/loss of the investee for the period	The Company's percentage of ownership directly or indirectly	Investment income (loss) recognized by the Company (Note 2)	Ending book value of investment	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service	\$ 6,219	(1)	\$ -	\$ -	\$ -	\$ -	\$ 372	100	\$ 372	\$ 2,263	\$ -	Note 4
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	-	(1)	-	-	-	-	-	-	-	-	-	Note 6
Company name		Accumulated investment from Taiwan to Mainland China at ending			Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 5)			Investment amount approved by the Investment Commission MOEAIC					
Charng Feng Investment Ltd.				\$ -				\$ 1,193				\$ 4,673,463	

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 area.
- (3) Other methods.

Note 2. Investment profits and losses are recognized in accordance with the financial statements that have not been reviewed by individual auditors during the same period.

Note 3. The numbers related to this table are expressed in NTD.

Note 4. The amount of paid-in capital is based on the exchange rate on March 31, 2020.

Note 5. The subsidiary of the Company, Charng Feng Investment Ltd., obtained the amended investment amount of USD39,485.42 approved by the Investment Commission, MOEA on February 6, 2020.

Note 6. Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019 and has not applied for investment to Investment Commission, MOEA. It has not yet operated as of March 31, 2020.