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**Elite Semiconductor**  
***ESMT* Microelectronics Technology Inc.**

**Annual Report 2020**

(English Translation of a Report Originally Issued in Chinese)

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<http://www.esmt.com.tw>

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The Company does not issue any overseas securities.

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## Letter to the Shareholders

Dear Shareholders,

Despite the significant impact of the COVID-19 pandemic on the global economy in 2020, the overall semiconductor market, benefiting from demand for cloud computing, telework, and learning devices, performed better than expected. According to IDC's Worldwide Semiconductor Applications Forecaster, global semiconductor revenue reached US\$442 billion in 2020, an increase of 5.4% from 2019. After underperforming in 2019, the DRAM and NAND markets also recovered in 2020, growing by 4% and 32.9%, respectively. IDC forecasts that the semiconductor market will reach US\$476 billion in 2021, growing at an annual rate of 7.7%, as vaccines become prevalent and the economy begins to open up and recover.

Looking ahead to 2021, we surmise that the speed of the market recovery will depend on how quickly countries can stabilize the global economy with COVID-19 prevention measures and government stimulus programs, and how much consumer confidence rises and changes with the prevalence of the vaccines. Specific markets, such as 5G cellphones, cloud computing, Smart Edge and wafer foundry, remain in the growth mode, which is critical to the recovery of the semiconductor industry this year. Semiconductor technology plays a key role in the recovery of each industry.

Computing systems, such as PCs and server semiconductors, reached US\$152 billion with an annual increase of 10.9% or so in 2020. Working and studying from home boosted purchasing power for PCs in both the corporate and consumer markets. In addition, the decentralization of employees and students from centralized locations has forced cloud service providers, telecoms and corporate IT departments to invest more aggressively in computing infrastructure. IDC forecasts that computing system semiconductor revenue will grow 6.3% to US\$161 billion in 2021.

With the unequivocally accelerated growth of 5G cellphones, smartphones were the second most significant demand driver for semiconductor development in 2020. Although cellphone shipments declined by more than 5% in 2020, cellphone semiconductor revenue grew by approximately 3% as the market shifted to higher ASP 5G cellphones, requiring more memory, sensors and RF support for more frequency bands. The year 2021 will be a particularly important for semiconductor vendors, for 5G cellphones will account for 30% of all cellphone shipments and semiconductors for 5G cellphones will account for nearly 54% of the revenue. IDC forecasts that cellphone semiconductor revenue will grow 11.4% to US\$128 billion by the end of 2021.

In the automotive and industrial semiconductor markets, automotive OEMs experienced manufacturing disruptions due to production allocations from some semiconductor foundries and shortages of semiconductor capacity, despite the sales growth in the third and fourth quarters of 2020. In 2020, automotive sales, including light commercial vehicles, decline by 14.5% to 71 million units, resulting in an 8.4% decrease in automotive semiconductor revenue to US\$37 billion. With the massive demand for semiconductor components from the development of electric vehicles in 2021, non-internal storage automotive semiconductor revenue will grow by 12.6%, rendering the market development worthy of anticipation.

The Memory Business Division expects the market to revive in the first half of 2021, especially for DRAM. The main reason is that the demand for mobile devices and server applications is strong, and that the major memory companies are bullish on the market boom in 2021. Benefiting from the contract price increase in mainstream memory, the price of niche DRAM increased up to 25-30% in January 2021. With the increasing adoption of solid-state drives (SSDs), coupled with the growth of 5G cellphones, the global NAND market will continue to grow in 2021 and in turn spur the demand for and the price of SLC NAND.

Driven by the multi-fold growth of TWS market demand, NOR Flash has come in the limelight. To support Bluetooth 5.0 and active noise reduction, each TWS must be equipped with NOR Flash to assist computing. With the launch of new TWS products by major brands, the quantity and capacity of accompanying NOR Flash will multiply and the market size will grow year by year. It is estimated that the total volume of TWS shipments will have reached 300 million units by 2022. In addition, AMOLED panels and TDDI chips also require NOR Flash. Specifically, AMOLED panels need to be equipped with 4-32Mb NOR Flash for optical compensation, while TDDI chips require external NOR Flash as an aid for parameter adjustment. As the trend in the terminal market continues, it is estimated that the penetration rate of AMOLED panels and TDDI chips in cellphones is expected to exceed 50% in 2022. However, the recent 50/60nm capacity in NOR Flash foundries is already insufficient, and therefore NOR Flash will be in tight supply in the first half of 2021.

The Company has been engaged in niche memory, including niche DRAM, NOR Flash and SLC NAND. Despite the adverse impact of the COVID-19 pandemic in 2020, the Company's revenue reached a record high of \$15.267 billion (consolidated revenue), benefiting from the demand of the stay-at-home economy as a result of the pandemic. The niche memory market will perform well in 2021 thanks to the gradual recovery of the memory market and the demand of the stay-at-home economy, and therefore it will be a year of increased shipments and revenue growth.

As regards power IC and analog IC products, the product line is becoming more and more comprehensive after years of hard work and cultivation. The products have been verified by large customers, and in particular, the market share of audio amplifiers in the TV market has been on the rise. Meanwhile, benefiting from the demand for audio-visual devices in the stay-at-home economy, the smart speaker market expansion has achieved very good results, with related revenue growing by approximately 11.9%. Growth is expected to continue in the TV and smart speaker markets in 2021.

The Company's revenue for 2020 was NT\$15,267,139 thousand, an increase of 27.40% from the revenue of NT\$11,983,479 thousand in 2019, with an annual gross margin of 17.35% and a net profit before tax of NT\$1,253,700 thousand.

I. Operating Results for 2020 (adopted from Consolidated Financial Statements information)

1. Comparison of the operating condition in 2019 and 2018 is as follows:

Unit: NT\$1,000

	2020	2019	Increase (Decrease)	Increase (Decrease) %
Revenue	15,267,139	11,983,479	3,283,660	27.40
Gross Profit	2,649,042	1,802,208	846,834	46.99
Operating Expenses	( 1,494,257)	( 1,227,265)	( 266,992)	( 21.75%)
Profit (Loss) from Operations	1,154,785	574,943	579,842	100.85
Net Non-operating Revenue	98,915	1,237	97,678	7,896.36
Net Profit (Loss) Before Tax	1,253,700	576,180	677,520	117.59
Net Profit (Loss) After Tax	1,084,441	505,611	578,830	114.48

## 2. Financial Revenue and Expenses and Profitability Analysis

### (1) Financial Revenue and Expenses

Unit: NT\$1,000

Item	2020	2019	Increase (Decrease)	Increase (Decrease) %
Cashflow from Operating Activities	453,348	1,849,420	( 1,396,072)	( 75.49%)
Cash flow from Investing Activities	( 504,290)	( 324,068)	( 180,222)	( 55.61%)
Cash flow from Financing Activities	891,856	( 642,177)	1,534,033	238.88%

### (2) Profitability

Item		2020	2019
Return on Assets (%)		9.32	4.94
Return on Equity (%)		14.02	6.93
Percentage of Paid-in Capital (%)	Operating Profit	40.41	20.12
	Net Profit before Tax	43.87	20.16
Net Profit Margin (%)		7.10	4.22
Earnings Per Share (NT\$)		3.85	1.78

(3) Research and Development: The research and development expense for 2020 was NT\$ 940,851 thousand, accounting for approximately 6.16% of the revenue.

## II. Summary of 2021 Business Plan

### 1. Business Strategy

- (1) Recruit more R&D personnel to improve R&D strength, and increasing R&D equipment expenditure to improve R&D efficiency.
- (2) Expand 25nm low-density niche DRAM memory product lines, e.g. DDR4, DDR3, LP DDR3, DDR2, LP DDR2, etc.
- (3) Accelerate the introduction of 21nm DRAM product development to maintain the competitive advantage of the cost structure.
- (4) Accelerate mass production of 28nm NAND products.
- (5) Accelerate the development and expansion of MCP (NAND+LP DRAM) and eMCP (controller + NAND + LP DRAM) product lines.
- (6) Fully expand the 50nm NOR Flash product line and business.
- (7) Research and develop niche memory for automotive applications.
- (8) Accelerate the development of power IC and analog IC product lines.
- (9) Expand the Company's product lines, such as IoT IC, Motor Drive IC, Sensor IC, etc.
- (10) Maintain a stable financial structure.

## 2. Sales Forecast and its Basis

Benefiting from the demand of the stay-at-home economy, the PC market, which had been in recession for many years, reported a short supply in 2020 and is expected to continue to grow in 2021. Although the smartphone market declined owing to the impact of COVID-19, the vaccines have started to be administered and market confidence will gradually recover. Moreover, as 5G cellphones become more prevalent, the memory capacity of PCs and smartphones will increase significantly in order to improve their performance. In terms of 3D NAND process conversion, yields are gradually stabilizing, supply is returning to normal, and prices are starting to slide. However, the memory capacity of SSDs and cellphones is expected to increase significantly and take up most of the production capacity. In SLC NAND, therefore, prices are starting to rebound as a result of the dramatic increase in demand but limited production capacity. In terms of NOR Flash, although the production capacity in Mainland China is opening up bit by bit, the demand at the application end is increasing, resulting in price rebound. Revenue growth is expected to continue in 2021.

The Company's revenue reached a record high in 2020, benefiting from the demand of the stay-at-home economy, coupled with the fact that Samsung and Hynix had both shifted production capacity from memory to CIS, resulting in a rare boom in the niche memory market, where demand far exceeded supply. Both revenue and profit are expected to continue to grow in 2021.

## 3. Important Production and Sales Policies

- (1) Strengthen the partnerships with wafer suppliers and post-production outsourcers to maintain stable production capacity and supply.
- (2) Strengthen the business of KDG, NOR, NAND, and MCP.
- (3) Provide better cost structure and quality than other companies and expand the market share of domestic and foreign markets.
- (4) Strengthen the interactive relationship with distributors and expand the areas of application of new products to increase business sales.

## III. Future Development Strategies of the Company

Although global suppliers of DRAM and NAND Flash tend to consolidate, unlike the bloodshed price competition in the past, China has vigorously supported the semiconductor industry in recent years, especially the DRAM and NAND memory industries, and has invested in great variables to the supply of memory in the future. The new memory Fab will be completed and mass-produced after 2020. By then, the memory industry will start a new round of competition and elimination and this will affect the niche memory market. In this macro-environment, improve the technical strength, accelerate new product development, and continue to reduce costs are the only ways to cope with the future competition.

As the application of low-density niche memory is becoming wider, it is an indispensable electronic component for technology products. It is expected that the global demand for niche memory will continue to grow in 2021. The Company will continue to increase the development of new products in response to market demand, in addition to focusing on high-integration, high-speed and low-power memory IC products, KGD, NOR, NAND Flash, and MCP businesses, and accelerate research and development of analog IC, analog-digital mixed IC product line to enhance the competitiveness and meet the various needs of the customers. The Company will actively strengthen the research and development of new products to improve its competitiveness and have a greater foundation in future competition to maximize profits for the Company.



#### IV. Impact on the Company Due to Competition, Governmental Regulations, and Overall Operation Environment

The memory market has been reviving since 2020. The demand for semiconductor components in the stay-at-home economy has exceeded expectations, but the increase in production capacity is limited, coupled with Samsung and Hynix both shifting memory capacity to CIS production, so the market price will go up gradually in 2021. Since the outbreak of COVID-19, city closures have continued to expand worldwide, generating demand for cloud computing and remote work and learning devices and resulting in better than expected overall semiconductor market performance. This, coupled with the fact that many countries have begun administering vaccines, will lead to a gradual recovery in consumer confidence. Market research firms now expect smartphone sales to pick up and semiconductor components for cellphones to continue to grow in 2021, which will trigger a severe shortage of foundry capacity and make price increases inevitable.

The COVID-19 pandemic has prompted demand in the stay-at-home economy. The shortage of capacity, materials and labor has been epidemic in the market since the second half of 2020 and is expected to continue in 2021. The trend of upstream original manufacturer-led price increases is still clear, and ensuring production capacity is the paramount issue in 2021. The industry still generally expects price increases in DRAM, NOR and SLC NAND Flash to remain unchanged whereas the impact of geopolitical and economic uncertainties, such as the US-China trade war, is likely to continue.

The Company's current operations are in compliance with the relevant existing laws and regulations of domestic and foreign reinvestment countries. The management team will also continue to pay close attention to any changes in policies and laws that may affect the company's finances and business, as a reference for operations. In addition, the Company also cooperates with professional organizations to pay close attention to the development of relevant laws and regulations, and immediately adjusts its strategies to meet the needs of operations. Therefore, the Company can timely grasp and respond to important domestic and foreign policy and legal changes.

Chairman of the Board:: Hsing-Hai Chen

President: Ming-Chien Chang

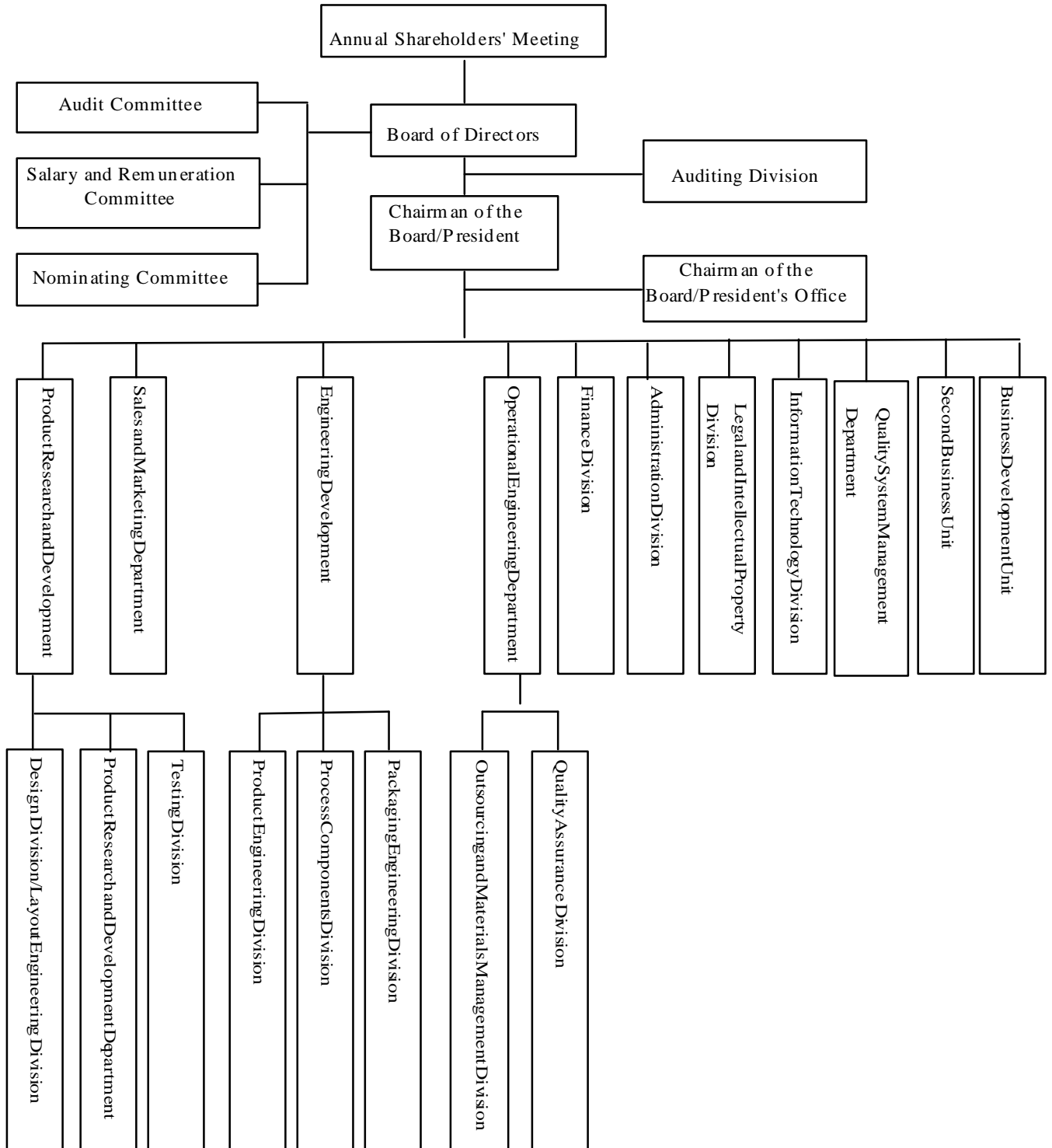
## Company Profile

- I. Date of Founding: June 2, 1998.
- II. Corporate History: Elite Semiconductor Microelectronics Technology Inc. (hereinafter “the Company”) was established on June 2, 1998 and was listed on the Taiwan Stock Exchange since March 4, 2002. As of December 31, 2020, the Company’s authorized capital is NT\$ 3,500,000,000 and the paid-in capital is NT\$ 2,857,589,250. The main business of the Company includes research and development, production and sales of DRAM/SRAM, Flash Memory, Analog IC, Analog-Digital Mixed IC, and the technical services related to product design and research and development of the Company. With the engineering technology that has been focusing on DRAM/Flash Memory for many years, the Company has launched the Multi-Chip Package (MCP) products that are suitable for various mobile communication systems. To accelerate the expansion of the analog product business, the Company completed the consolidation and merger of Advanic Technologies, Inc. in December 2005 and established the Analog Product Department in August, 2008 to extend the product line to the research and development of analog IC, and analog-digital mixed IC. The Company has completed the consolidation by merger with Eon Silicon Devices, Inc in June, 2016 in order to obtain the synergy effect of the strategic collaboration for the product development resources of Flash Memory. In addition, the main spinout companies indirectly held by the Company are 3R Semiconductor Technology Inc., Canyon Semiconductor Inc., and Elite Silicon Technology Inc., which are engaged in research and development of Power IC and SoC IC, etc. respectively.

# Corporate Governance Report

## I. Organizational System

### (I) Organizational structure



(II) Major Department Functions

Major Departments	Major Responsibilities and Functions of the Departments
Chairman of the Board/President's Office	Company's Project Promotion/ Coordination and Other Related Operations.
Auditing Division	Establishment, operation, audit and reievw of various intemal control systems, operations and management regulations.
Design Division/ Layout Engineering Division	Responsible for circuit design, simulation, layout, detection of memory IC products and assistance in mass production product issue analysis and necessary consultation.
Product Research and Development Department	Responsible for memory IC product specification verification, failure mode analysis, mass production condition formulation, yield improvement, new process development and analysis, product practical application verification, and assisting customers to solve product application problems.
Testing Division	Responsible for the establishment and maintenance of memory IC product test programs, calibration of test equipment, evaluation of test outsourcing testers, automatic analysis of product engineering data and evaluation of reliability evaluation of new needle test boards, and verification of actual product application and assisting customers to solve product application problems.
Sales and Marketing Department	Responsible for memory IC product marketing strategy, product sales, customer service and assisting in the promotion of business and new products, new technology markets, specification evaluation, formulation of new product specification, handling of customer complaints, return analysis, product information collection, mass production specification modification, etc.
Business Development Department	Strategic evaluation and development of various new product businesses.
Product Engineering Division/ Packaging Engineering Division	Responsible for engineering evaluation of new product development, packaging production line development, CP/FT test production line development, production line abnormal analysis of ramping, process flow, countermeasure formulation, and promotion of execution, etc.
Process Components Division	Responsible for memory IC wafer production plan management, process technology definition, process design criteria verification, SPICE MODEL for product design, component process characteristics analysis, and mask making tape out process management, etc.
Outsourcing and Materials Management Division	Responsible for memory IC mass production plan, outsourced production strategy, production plan, materials, warehouse management, bonded and import and export operations, etc.
Quality Assurance	Responsible for product quality inspection, quality assessment and regular

Major Departments	Major Responsibilities and Functions of the Departments
Division	audit of outsourcers, handling of customer complaints, return analysis, improve countermeasure requirements and effectiveness tracking.
Finance Division	The Company's financial management, accounting, budget management, shareholding affairs, etc.
Administration Division	Responsible for Company-wide personnel, payroll, education and training, labor laws, general affairs, factory affairs, labor safety and health, transportation, transactional procurement, etc.
Quality and System Management Department	Responsible in assisting in the establishment and maintenance of Company-wide quality/environmental system operation and audits, outsourcer's quality system assessment, implementation of control operations such as the establishment, modification, and issuance of documentation, and establishment and maintenance of measurement equipment verification systems
Legal and Intellectual Property Division	Responsible for the Company's legal affairs, patent/trademark applications, etc.
Information Technology Division	Management and maintenance of the Company's OA, MIS system, network and other information related systems.
Second Business Unit	Responsible for the research and development, production and sales of analog, analog and digital mixed-signal IC products, etc.
Business Development Unit	Responsible for the strategic evaluation and development of new products and business.

II. Information of the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and the Heads of all the Company's Departments and Divisions

(I) Information of Directors and Supervisors

1. Directors and Supervisors

Record date: April 18, 2021

Title	Name	Nationality/Place of Registration	Gender	Date Elected	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Person(s)		Primary Professional or Academic Experience	Position(s) Concurrently Held at the Company and Other Companies	Other Executives, Directors, or Supervisors who are spouses or within the second degree of kinship.			Remarks
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship	
Chairman of the Board	Hsing-Hai Chen	Republic of China	Male	2019.6.13	3 years	1999.7.06	8,411,629	3.08%	8,411,629	2.94%	1,370,927	0.48%	-	-	Master of Applied Physics, National Tsing Hua University	Note 1	Nil	Nil	Nil	Nil
Director	Ming-Chien Chang	Republic of China	Male	2019.6.13	3 years	1998.5.20	5,523,825	2.02%	5,523,825	1.93%	1,618,785	0.57%	-	-	Master Degree from the Institute of Electronics, National Chiao Tung University	Note 1	Nil	Nil	Nil	Nil
Director	Chih-Hong Ho	Republic of China	Male	2019.6.13	3 years	2004.6.25	628,172	0.19%	628,172	0.22%	-	-	-	-	PhD in Mechanical Engineering, North Carolina State University, USA	Note 1	Nil	Nil	Nil	Nil
Director	Yeong-Wen Daih	Republic of China	Male	2019.6.13	3 years	2016.6.15	571,205	0.17%	581,205	0.20%	75,970	0.02%	-	-	Master Degree from the Institute of Electronics, National Chiao Tung University	Note 1	Nil	Nil	Nil	Nil
Director	Shin Xin Investment Co., Ltd.	Republic of China		2019.6.13	3 years	2019.6.13	7,000	-%	255,000	0.09%	-	-	-	-						
Director Representative	Chia-Neng Huang (Legal Representative of Shin Xin Investment Co., Ltd.)	Republic of China	Male	2019.6.13	3 years	2019.6.13	-	-	-	-	-	-	-	-	Department of Mechanical Engineering, Chung Yuan Christian University	Note 1	Nil	Nil	Nil	Nil
Independent Director	Shan-Jen Chow	Republic of China	Male	2019.6.13	3 years	2003.2.18	-	-	-	-	-	-	-	-	Master of Business Administration, Golden Gate University, California, USA		Nil	Nil	Nil	Nil
Independent Director	Tsin-Fu Jiang	Republic of China	Male	2019.6.13	3 years	2007.6.15	-	-	-	-	-	-	-	-	PhD in Physics, National Tsing Hua University Professor, Institute of Physics, National Chiao Tung University	Note 1	Nil	Nil	Nil	Nil
Independent Director	Cheng-Yan Chien	Republic of China	Male	2019.6.13	3 years	2019.6.13	-	-	-	-	-	-	-	-	Emory University, USA Master of Business Management	Note 1	Nil	Nil	Nil	Nil

Note 1: Current positions in other companies

Hsing-Hai Chen	Chairman of the Board, Elite Semiconductor Memory Technology Inc. Chairman of the Board, 3R Semiconductor Technology Inc. Chairman of the Board, Elite Silicon Technology Inc. Chairman of the Board, ESMT Educational Foundation Chairman of the Board, Jie Yong Investment Ltd. Director, Elite Investment Services Ltd.	Ming-Chien Chang	Chairman of the Board, Chang Feng Investment Ltd. Director, Elite Silicon Technology Inc. Director, ESMT Educational Foundation Director, Jie Yong Investment Ltd. Director, Elite Investment Services Ltd. Director, Eon Silicon Solution Inc. USA	Chia-Neng Huang	Chairman of the Board, President and Chief Executive Officer of Chang Wah Electronics Inc. Chairman of the Board, President and Chief Executive Officer of Chang Wah Electronics Inc. Chairman of the Board, SH Electronics Taiwan Co., Ltd. Chairman of the Board, Chang Wah Energy Technology Co., Ltd Director, eChem Solutions Corp. Representative corporate director of How Weih Holding (Cayman) Co., Ltd. Representative corporate director of Yin Kang Co., Ltd. Representative of corporate director of Yin Tai Co., Ltd. Chairman of the Board, SH Asia Pacific Pte.Ltd. Chairman of the Board, Silver Connection Co., Ltd.
Yeong-Wen Daih	Director, Jie Yong Investment Ltd.	Chia-Neng Huang	Representative corporate director of WSP Electronics Ltd. Director, CWE Holding Co., Ltd. Director, Broadwell World wide Ltd.		
Chih-Hong Ho	Director, Elite Innovation Japan Ltd. Legal Representative, Elite Semiconductor Memory Technology (Shenzhen) Inc. Legal Representative, Elite Semiconductor Microelectronics (Shanghai) Technology Inc.				

2. Major shareholders of the institutional shareholders

(1) Major shareholders of the institutional shareholders as at April 18, 2021

Name of Institutional Shareholders (Note 1)	Major shareholders of the institutional shareholders (Note 2)	Shareholding Percentage
Shin Xin Investment Co., Ltd.	Chia-Neng Huang	99.995%
	Junjie Huang	0.005%

Note 1: If the Director or Supervisor is a representative of an institutional shareholder, his/her name shall be specified.

Note 2: Please fill in the name and the shareholding percentage of the major shareholders of institutional shareholders (shareholders within the 10 biggest shareholding percentage). If the major shareholders are legal entities, information shall be provided in the following table.

Note 3: For corporate shareholders who are not under the organization of the Company, the name and shareholding of the shareholders shall be disclosed (i.e. name of the investor or donor and their investment or donation ratio).

(2) Major shareholders of institutional shareholders who are representative of institutional shareholders: None.

3. Professional Qualifications and the Independence of Directors:

Qualification  Name	Meets one of the following professional qualifications, with at least five years of working experience			Independence Criteria (Note 1)												Number of other public companies where the individual concurrently serves as an Independent Director
	Currently serving as a lecturer or higher position in a private or public college or university in the field of business, law, finance, accounting, or any related field required in business.	Currently serving as a judge, prosecutor, lawyer, accountant, or any other professional practice or technician that must undergo national examinations and specialized license	Work experience in commerce, legal affairs, finance, accounting, or related experience required by business	1	2	3	4	5	6	7	8	9	10	11	12	
Hsing-Hai Chen			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ming-Chien Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chih-Hong Ho			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yeong-Wen Daih			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chia-Neng Huang			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
Shan-Jen Chow		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tsin-Fu Jiang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Cheng-Yan Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: Please tick "" in the corresponding boxes if the Directors have met any of the following criteria during the two years prior to being elected or during the term of office.

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



- (2) Not a Director or Supervisor of the company or any of its affiliates. (Not applicable in cases where the person is an Independent Director of the company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total number of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor, or employee of another company that the majority of its directors or the shares with voting rights are controlled by the same person (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (7) Not a director, supervisor, or employee of another company or an institution who is concurrently a chairman, general manager, or equivalent position of the Company or a spouse thereof (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations)
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,00 over the last 2 years. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions in accordance with the provisions of Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

- (10) Not a spouse or a relative within the second degree of kinship with any Director.
- (11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

## (II) Information of the Presidents, Vice Presidents, Assistant Vice Presidents, and the Heads of all the Company's Departments and Divisions

Record Date: April 18, 2021

Title	Name	Nationality	Gender	Date of Appointment	Shareholding		Shares Held by Spouse/Minor Children		Shares Held in the Name of Other Persons		Primary Professional or Academic Experience	Position(s) Concurrently Held at the Company or Other Companies	Managers who are spouses or within the second degree of kinship.			Remarks
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
Chairman of the Board	Hsing-Hai Chen	Republic of China	Male	2008.11.03	8,411,629	2.94%	1,370,927	0.48%	-	-	Master of Applied Physics, National Tsing Hua University	Note 1	Nil	Nil	Nil	Nil
President and Chief Technology Officer of Business Group	Ming-Chien Chang	Republic of China	Male	2008.11.03	5,523,825	1.93%	1,618,785	0.57%	-	-	Master of Electronics, National Chiao Tung University	Note 1	Nil	Nil	Nil	Nil
Senior Vice President and Chief Marketing Officer	Chih-Hong Ho	Republic of China	Male	2005.08.01	628,172	0.22%	-	-	-	-	PhD in Mechanical Engineering, North Carolina State University, USA	Note 1	Nil	Nil	Nil	Nil
President and Chief Operating Officer	Yeong-Wen Daih	Republic of China	Male	2008.11.03	581,205	0.20%	75,970	0.03%	-	-	Master Degree, Institute of Electronics, National Chiao Tung University	Note 1	Nil	Nil	Nil	Nil
Vice President and Second Business Unit	Kuan-Chun Chang	Republic of China	Male	2008.11.03	685,341	0.24%	949	-	-	-	Master Degree, Department of Electrical Engineering, National Cheng Kung University	Note 1	Nil	Nil	Nil	Nil
Senior Director of Finance Division	Candy Chu	Republic of China	Female	2006.09.01	143,000	0.05%	39,490	0.01%	-	-	Department of Accounting and Statistics, Ming Chuan Commercial College	Note 1	Nil	Nil	Nil	Nil

Note 1: Position(s) concurrently held in other companies is as follows:

Hsing-Hai Chen	Chairman of the Board, Elite Semiconductor Memory Technology Inc. Chairman of the Board, 3R Semiconductor Technology Inc. Chairman of Elite Silicon Technology Inc. Chairman of the Board, ESMT Educational Foundation Chairman of the Board, Jie Yong Investment Ltd. Director, Elite Investment Services Ltd.	Ming-Chien Chang	Chairman of the Board, Chang Feng Investment Ltd. Director, Elite Silicon Technology Inc. Director, ESMT Educational Foundation Director, Jie Yong Investment Ltd. Director, Elite Investment Services Ltd. Director, Eon Silicon Solution Inc. USA	Chih-Hong Ho	Director, Elite Innovation Japan Ltd. Legal Representative, Elite Semiconductor Memory Technology (Shenzhen) Inc. Semiconductor Microelectronics (Shanghai) Technology Inc
		Kuan-Chun Chang	Director, Jie Yong Investment Ltd. Director, ESMT Educational Foundation Legal representative of Elite	Yeong-Wen Daih	Director, Jie Yong Investment Ltd.
				Candy Chu	Director, ESMT Educational Foundation Supervisor, Elite Silicon Technology Inc. Supervisor, Elite Innovation Japan Ltd.

(III) Remuneration Paid During in the Most Recent Financial Year to Directors, Supervisors, President, and Vice Presidents Under the Company and All Companies Listed in the Consolidated Statements

1. Remuneration of Directors (including Independent Directors)

As at December 31, 2020 Unit: NT\$ 1,000/share

Title	Name	Directors Remuneration								Ratio of the total of 4 items A, B, C and D to net income after taxes		Relevant remuneration received by directors who are also employees						Proportion of the sum of A, B, C, D, E, and F to net profit after tax		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company		
		Remuneration (A)		Severance pay and pension (B)		Remuneration of directors (C)		Business expense (D)				Salary, bonus and special allowance (E)		Pension (F)		Employee's compensation (G)						
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	Cash	Stock	Cash	Stock		The Company	All companies listed in this Financial Report
Chairman of the Board	Hsing-Hai Chen	-	-	-	-	4,408	4,408	113	113	0.42%	0.42%	4,009	4,009	-	-	-	-	-	-	0.79%	0.79%	Nil
Directors	Ming-Chien Chang	-	-	-	-	2,204	2,204	-	-	0.20%	0.20%	4,304	4,304	108	108	2,556	-	2,556	-	0.85%	0.85%	Nil
Directors	Chih-Hong Ho	-	-	-	-	2,204	2,204	-	-	0.20%	0.20%	4,099	4,099	108	108	5,630	-	5,630	-	1.11%	1.11%	Nil
Directors	Yeong-Wein Daih	-	-	-	-	2,204	2,204	-	-	0.20%	0.20%	3,870	3,870	108	108	5,349	-	5,349	-	1.06%	1.06%	Nil
Directors	Chia-Neng Huang	-	-	-	-	2,204	2,204	-	-	0.20%	0.20%	-	-	-	-	-	-	-	-	0.20%	0.20%	Nil
Independent Director	Shan-Jen Chow	-	-	-	-	-	-	900	900	0.08%	0.08%	-	-	-	-	-	-	-	-	0.08%	0.08%	Nil
Independent Director	Tsin-Fu Jiang	-	-	-	-	-	-	850	850	0.08%	0.08%	-	-	-	-	-	-	-	-	0.08%	0.08%	Nil
Independent Director	Cheng-Yan Chien	-	-	-	-	-	-	850	850	0.08%	0.08%	-	-	-	-	-	-	-	-	0.08%	0.08%	Nil

- Please illustrate the policies, systems, standards and structure of independent directors' remuneration, as well as the correlation between their remuneration and the responsibilities, risks, and time invested:  
According to Article 24-1 of the Company's Articles of Incorporation, based on the profit of the year, the Company shall appropriate no less than 5% of the profit as remuneration to employees, and no more than 1% of the profit as remuneration to Directors. With reference to the Company's overall operating performance, industry's future operating risks and development trends, and referring to the individual's performance achievement rate and contribution to the Company's performance, the Company has given reasonable remuneration. Relevant performance evaluation and the remuneration rationality shall be approved by the Remuneration Committee and the Board of Directors.
- Other than disclosure in the above table, Directors remuneration received by providing services (e.g. providing consulting services as a non-employee) to the Company in the financial report: None.

Note1: The distribution of Directors' and Supervisors' remuneration for the Financial Year 2020 amounted to NT\$ 13,225 thousand was approved by the Board of Directors on February 26, 2021. Since the amount of distribution has not been confirmed by internal management, the amount is calculated based on the proportion of the Directors' and Supervisors' remuneration in Financial Year 2019.

Note2: The distribution of employees' compensation for the Financial Year 2020 amounted to NT\$66,124 thousand was approved by the Board of Directors on February 26, 2021. Since the amount of distribution has not been confirmed by internal management, the amount is calculated based on the proportion of the employees' compensation in 2019.

## 2. Remunerations to President and Vice Presidents

As at December 31, 2020 Unit: NT\$ 1,000/share

Title	Name	Salary (A)		Severance pay and pension (B) (Note 1)		Bonuses and allowances (C)		Employee's remuneration (D)				Proportion of net profit after tax to the sum of A, B, C, and D (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies listed in this Financial Report	
								Cash	Stock	Cash	Stock			
Chairman of the Board	Hsing-Hai Chen	3,637	3,637	-	-	372	372	-	-	-	-	0.37%	0.37%	Nil
President	Ming-Chien Chang	3,584	3,584	108	108	720	720	2,556	-	2,556	-	0.64%	0.64%	Nil
Senior Deputy President	Chih-Hong Ho	3,295	3,295	108	108	804	804	5,630	-	5,630	-	0.91%	0.91%	Nil
Deputy President	Yeong-Wen Daih	3,152	3,152	108	108	718	718	5,349	-	5,349	-	0.86%	0.86%	Nil
Deputy President	Kuan-Chun Chang	2,972	2,972	108	108	673	673	5,007	-	5,007	-	0.81%	0.81%	Nil

Note 1: All are recognized contribution

Note 2: 2020 Distribution of employee' compensation of NT\$66,124 thousand was approved by the Board of Directors on February 26, 2021. Since the amount of distribution has not been confirmed by internal management, the amount is calculated based on the proportion of employee' compensation in 2019.

### 3. Managerial officers with the top five highest remuneration amounts

As at December 31, 2019 Unit: NT\$ 1,000/share

Title	Name	Salary (A)		Severance pay and pension (B) (Note 1)		Bonuses and allowances (C)		Employee's remuneration (D)				Proportion of net profit after tax to the sum of A, B, C, and D (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies listed in this Financial Report	
								Cash	Stock	Cash	Stock			
Chairman of the Board	Hsing-Hai Chen	3,637	3,637	-	-	372	372	-	-	-	-	0.37%	0.37%	Nil
President	Ming-Chien Chang	3,584	3,584	108	108	720	720	2,556	-	2,556	-	0.64%	0.64%	Nil
Senior Deputy President	Chih-Hong Ho	3,295	3,295	108	108	804	804	5,630	-	5,630	-	0.91%	0.91%	Nil
Deputy President	Yeong-Wen Daih	3,152	3,152	108	108	718	718	5,349	-	5,349	-	0.86%	0.86%	Nil
Deputy President	Kuan-Chun Chang	2,972	2,972	108	108	673	673	5,007	-	5,007	-	0.81%	0.81%	Nil

Note 1: All are recognized contribution

Note 2: 2020 Distribution of employee' compensation of NT\$66,124 thousand was approved by the Board of Directors on February 26, 2021. Since the amount of distribution has not been confirmed by internal management, the amount is calculated based on the proportion of employee' compensation in 2019.

#### 4. Names of Managers for Distributing the Employees' Compensation and Distribution Status

Unit: NT\$ 1,000

	Title	Name	Shares Amount	Cash Amount	Total	Ratio of the Total Amount to Net Profit After Tax (%)
Manager	Chairman of the Board	Hsing-Hai Chen	-	20,653	20,653	1.90%
	President	Ming-Chien Chang				
	Senior Vice President	Chih-Hong Ho				
	Senior Vice President	Yeong-Wen Daih				
	Vice President	Kuan-Chun Chang				
	Senior Director of Finance Division	Candy Chu				

Note 1: The distribution of employees' compensation for the Financial Year 2020 amounted to NT\$ 66,124 thousand was approved by the Board of Directors on February 26, 2021. Since the amount of distribution has not been confirmed by internal management, the amount is calculated based on the proportion of employee' compensation in 2019.

(IV) The analysis of the ratio of the total remuneration paid to the Company's Directors, Supervisors, President and Vice Presidents of the Company and all companies listed in the consolidated financial statements in the most recent two financial years to Net Profit After Tax, and the relevance of remuneration payment policies, standards and combination, procedures determining remuneration, business performance and future risk shall be compared and stated:

Units: NTD 1,000; %

Item	FY 2019		FY 2020	
	The Company	Consolidated Financial Statements	The Company	Consolidated Financial Statements
Total Directors' Remuneration	5,533	5,533	15,937	15,937
Ratio of Total Directors' Remuneration to Net Profit After Tax (%)	1.09	1.09	1.47	1.47
Total Supervisors' Remuneration	1,186	1,186	-	-
Ratio of Total Supervisors' Remuneration to Net Profit After Tax (%)	0.23	0.23	-	-
Total Remuneration for the President and Vice Presidents	28,492	28,492	38,901	38,901
Ratio of Total Remuneration for President and Vice Presidents to Net Profit After Tax (%)	5.63	5.63	3.59	3.59

There is no material difference in the ratio against Net Profit After Tax for FY2019 and FY2020.

According to Article 24-1 of the Company's Articles of Incorporation, based on the profit of the year, the Company shall appropriate no less than 5% of the profit as remuneration to employees, and no more than 1% of the profit as remuneration to



Directors. However, cumulative loss should be offset, if any. The Company shall also consider its operating results and the contribution to the Company's performance, and provide reasonable remuneration. The policy of remuneration of the President and Vice President is based on the Company's salary structure as fixed salary: basic salary, meal allowance and variable salary: allowance (overtime work, missed meals allowance), bonus (year-end bonus, work bonus), the salary level of the position in the industry, the scope of the position within the Company and the contribution to the Company's operating goals. The procedures for determining remuneration are based on the Company's overall performance, future business risks and development trends of the Company, as well as the individual's performance achievement rate and contribution to the Company's performance, so as to provide reasonable remuneration. Performance assessment and the reasonableness of remuneration has been reviewed by the Remuneration Committee and the Board of Directors. In addition, the remuneration system is reviewed at any time according to the actual operating conditions and relevant laws and regulations. The Company's policy and procedures for setting directors', supervisors' and general managers' remuneration have taken into account the future operational risks faced by the Company and are positively correlated with its operational performance in order to achieve a balance between sustainable operation and risk control.

### III. Implementation of Corporate Governance:

#### (I) Implementation of the Board of Directors

A total of six meetings were held by the Board of Directors in 2020, with the directors' attendance listed as follows:

Title	Name	Attendance Count	By Proxy	Attendance Count	Remarks
Chairman of the Board	Hsing-Hai Chen	6	-	100%	
Director	Ming-Chien Chang	6	-	100%	
Director	Chih-Hong Ho	6	-	100%	
Director	Yeong-Wen Daih	6	-	100%	
Director	Chia-Neng Huang	6	-	100%	
Independent Director	Shan-Jen Chow	6	-	100%	
Independent Director	Tsin-Fu Jiang	6	-	100%	
Independent Director	Cheng-Yan Chien	6	-	100%	

#### Other Matters:

I. Where the proceedings of the meeting of the Board of Directors include one of the following circumstances, state the date, session, topic discussed, opinions of every Independent Director, and the Company's handling of the Independent Directors' opinions:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date of the	Proposals	Opinions of All Independent Directors and
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Meeting		the Company's Handling of These Opinions
The 8th Board 5th Meeting 2020.03.20	<ol style="list-style-type: none"> <li>1. Approved the resolution to amend the Company's "Articles of Association".</li> <li>2. Approved the amendment to the Company's "Auditor Committee Organization Charter".</li> <li>3. Approved the resolution to amend the Company's "Procedures of the Meetings of the Board of Directors".</li> <li>4. Approved the resolution to amend the Company's "Remuneration Committee Organization Charter".</li> <li>5. Approved the resolution to amend the Company's "Self-Evaluation and Peer-Evaluation of the Board of Directors".</li> <li>6. Approved the evaluation of the independence of the CPAs and the CPAs' accounting firm.</li> </ol>	Approved by all Independent Directors
The 8th Board 6th Meeting 2020.05.14	<ol style="list-style-type: none"> <li>1. Approved the amendments to the Company's "Procedures for the Acquisition and Disposal of Assets".</li> <li>2. Approved the amendments to the Company's "Rules of Procedure for Board of Directors Meetings."</li> <li>3. Approved the amendments to the Company's "Audit Committee's Articles of Association".</li> </ol>	Approved by all Independent Directors
The 8th Board 9th Meeting 2020.11.11	<ol style="list-style-type: none"> <li>1. Approved the Company's "Rules Governing the Preparation Process of Financial Statements."</li> <li>2. Approved the Company's "Organizational Rules of the Nomination Committee."</li> </ol>	Approved by all Independent Directors
The 8th Board 10th Meeting 2020.12.23	<ol style="list-style-type: none"> <li>1. Approved the amendment to the internal control system.</li> </ol>	Approved by all Independent Directors
The 8th Board 11th Meeting 2021.02.26	<ol style="list-style-type: none"> <li>1. Amended the Company's "Regulations Governing Self-Appraisal or Peer Appraisal by the Board of Directors"</li> <li>2. Amended the Company's "Regulations Governing the Organization of the Salary and Remuneration Committee"</li> <li>3. Approved the amendment to the Company's "Rules for Election of Directors" of the Company.</li> <li>4. Approved the amendment to the Company's "Articles of Incorporation."</li> <li>5. Approved the evaluation of the independence of the CPAs and their affiliated firms.</li> </ol>	Approved by all Independent Directors
The 8th Board 12th Meeting 2021.05.06	<ol style="list-style-type: none"> <li>1. Approved the amendment to the Company's "Rules for Election of Directors" of the Company.</li> </ol>	Approved by all Independent Directors

(II) In addition to the aforementioned matters, other resolutions resolved by the Board of Directors that are objected to, or expressed reservations with record or declaration in writing by the Independent Directors: None.

II. When any Director recuse him/herself for being a stakeholder in certain proposals, the name of the Director(s), the content of the proposals, reasons for recusal and participation in voting shall be stated:

Board of Directors Date	Names of Directors	Proposals	Reason for Recusal	Voting
2020.8.11	Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih	The managers' salary adjustment of the Company in FY2020	The Person(s) in Conflict with the Proposal	The persons recused themselves and did not participate in discussion and voting.

	Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih Chia-Neng Huang Shan-Jen Chow	The Company's Directors and Supervisors' remuneration distribution for FY2019	The Person(s) in Conflict with the Proposal	The persons recused themselves and did not participate in discussion and voting.
	Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih	The managers' and employees' salaries and bonus of the Company for FY2020.	The Person(s) in Conflict with the Proposal	The persons recused themselves and did not participate in discussion and voting.
2020.12.23	Hsing-Hai Chen,	Approved the adjustment of the Directors' salaries and compensations.	The Person(s) in Conflict with the Proposal	The persons recused themselves and did not participate in discussion and voting.
2021.5.6	Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih	Approved the resolution of the managers' bonus.	The Person(s) in Conflict with the Proposal	The persons recused themselves and did not participate in discussion and voting.

III. TWSE/TPEX list companies shall disclose information on the evaluation cycle and period, scope, method and content of the self-evaluation by the Board of Directors (or peers), and complete Appendix 2(2) Bboard of Directors Evaluation.

On March 20, 2020, the Company's Board of Directors approved the "Board of Directors Self-Evaluation or Peer Evaluation Procedures".

1. Performance Evaluation of the Board of Directors:2021.02.26 approved the resolution by the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content	Rating
Conducted Annually	From: Jan. 1, 2020 To: Dec. 31, 2020	Board of Directors	Internal self-evaluation for the Board of Directors	1. Level of participation in corporate operations. 2. Improving Board of Directors decision-making. 3. Composition and structure of the Board of Directors. 4. Elections and continuous training of the directors. 5. Internal control.	Superior

2. Performance evaluation (self and peer evaluation) of the board members: 2021.02.26 approved the resolution by the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content	Rating
Conducted Annually	From: Jan. 1, 2020 To: Dec. 31, 2020	Members of Board of Directors	Internal self-assessment of board members	1. Knowledge of corporate objectives and mission. 2. Knowledge of the director's responsibilities. 3. Level of participation in corporate	Superior

				operations. 4. Internal relationships and communications. 5. Director of professionalism and continuous training. 6. Internal control.	
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IV. Targets for strengthening the functions of the Board of Directors (e.g. establishment of the Audit Committee, enhancement of information transparency) and evaluation of the implementation: After the full re-election of directors and supervisors at the shareholders' meeting on June 13, 2019, the Company established the Audit Committee, convened by Mr. Chou, Shuang-Jen, an independent director, to replace the supervisor's function and strengthen the functions of the Board of Directors. On March 20, 2020, the Company's Board of Directors approved the "Board of Directors Self-Evaluation or Peer Evaluation Procedures".

1. Salary and Remuneration: 2021.02.26 approved the resolution by the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content	Rating
Conducted Annually	From: Jan. 1, 2020 To: Dec. 31, 2020	Number of Members	Internal self-evaluation of committee members	1. Participation in the Company's operation 2. Awareness of the duties of the functional committees 3. Improving the decision-making of the functional committees 4. Composition of the functional committees, and election and appointment of committee members	Superior

2. Audit Committee: 2021.02.26 approved the resolution by the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methods	Evaluation Content	Rating
Conducted Annually	From: Jan. 1, 2020 To: Dec. 31, 2020	Number of Members	Internal self-evaluation of committee members	1. Participation in the Company's operation 2. Awareness of the duties of the functional committees 3. Improving the decision-making of the functional committees 4. Composition of the functional committees, and election and appointment of committee members 5. Internal control	Superior

(II) Implementation of the Audit Committee or Supervisors' Participation in meetings of the Board of Directors:

1. Implementation of the Audit Committee:

The Company established the Audit Committee after the shareholders' meeting on June 13, 2019. The Audit Committee held 5 meetings in FY2020, which the members of the Audit committee attended as follows:

Title	Name	Attendance Count	By Proxy	Attendance Count	Remarks									
Independent Director	Shan-Jen Chow	5	-	100%										
Independent Director	Tsin-Fu Jiang	5	-	100%										
Independent Director	Cheng-Yan Chien	5	-	100%										
<p>Other matters:</p> <p>I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the handling of the opinion of Independent Directors shall be recorded under the following circumstances: Where the proceedings of the meeting of the Audit Committee include one of the following circumstances, stat session, topic discussed, resolution of the Audit Committee, and the Company's handling of the Audit Committ opinions: (I) Items listed in Article 14-5 of the Securities and Exchange Act</p> <table border="1"> <thead> <tr> <th>Audit Committee Date</th> <th>Proposals (Items listed in Article 14-5 of Securities and Exchange Act)</th> <th>Resolutions not approved by the Audit Committee but approved by over two thirds of all directors</th> </tr> </thead> <tbody> <tr> <td>3rd meeting of the 1st session 2020.03.20</td> <td>           1. The Company's 2019 Annual Final Statement.            2. The Company's 2019 Earnings Distribution Plan.            3. Conduct self-assessment of the Company's internal control system in accordance with regulations.            4. The Company's employee stock option exercised to subscribe for ordinary shares.            5. Assess the independence of CPAs and affiliated accounting firms.             Audit Committee Opinion: No objections or qualified opinion.            The Company's actions in response to the opinions of the Audit Committee: Not applicable.            Resolution: Approved by the Chairman upon consultation with all the Directors present.         </td> <td>None</td> </tr> <tr> <td>4th meeting of the 1st session 2020.05.14</td> <td>           1. The Company's 2020 Q1 financial report.            2. The Company's employee stock option exercised to subscribe for ordinary shares.            3. Amendment to the Company's "Operational Procedures for Acquisition or Disposal of Assets"         </td> <td>None</td> </tr> </tbody> </table>						Audit Committee Date	Proposals (Items listed in Article 14-5 of Securities and Exchange Act)	Resolutions not approved by the Audit Committee but approved by over two thirds of all directors	3rd meeting of the 1st session 2020.03.20	1. The Company's 2019 Annual Final Statement. 2. The Company's 2019 Earnings Distribution Plan. 3. Conduct self-assessment of the Company's internal control system in accordance with regulations. 4. The Company's employee stock option exercised to subscribe for ordinary shares. 5. Assess the independence of CPAs and affiliated accounting firms.  Audit Committee Opinion: No objections or qualified opinion. The Company's actions in response to the opinions of the Audit Committee: Not applicable. Resolution: Approved by the Chairman upon consultation with all the Directors present.	None	4th meeting of the 1st session 2020.05.14	1. The Company's 2020 Q1 financial report. 2. The Company's employee stock option exercised to subscribe for ordinary shares. 3. Amendment to the Company's "Operational Procedures for Acquisition or Disposal of Assets"	None
Audit Committee Date	Proposals (Items listed in Article 14-5 of Securities and Exchange Act)	Resolutions not approved by the Audit Committee but approved by over two thirds of all directors												
3rd meeting of the 1st session 2020.03.20	1. The Company's 2019 Annual Final Statement. 2. The Company's 2019 Earnings Distribution Plan. 3. Conduct self-assessment of the Company's internal control system in accordance with regulations. 4. The Company's employee stock option exercised to subscribe for ordinary shares. 5. Assess the independence of CPAs and affiliated accounting firms.  Audit Committee Opinion: No objections or qualified opinion. The Company's actions in response to the opinions of the Audit Committee: Not applicable. Resolution: Approved by the Chairman upon consultation with all the Directors present.	None												
4th meeting of the 1st session 2020.05.14	1. The Company's 2020 Q1 financial report. 2. The Company's employee stock option exercised to subscribe for ordinary shares. 3. Amendment to the Company's "Operational Procedures for Acquisition or Disposal of Assets"	None												

	<p>Audit Committee Opinion: No objections or qualified opinion.</p> <p>The Company's actions in response to the opinions of the Audit Committee: Not applicable.</p> <p>Resolution: Approved by the Chairman upon consultation with all the Directors present.</p>	
5rd meeting of the 1st session	<p>1. The Company's 2020 Q2 financial report.</p> <p>2. The Company's employee stock option exercised to subscribe for ordinary shares.</p>	None
2020.08.11	<p>Audit Committee Opinion: No objections or qualified opinion.</p> <p>The Company's actions in response to the opinions of the Audit Committee: Not applicable.</p> <p>Resolution: Approved by the Chairman upon consultation with all the Directors present.</p>	
6th meeting of the 1st session	<p>1. The Company's employee stock option exercised to subscribe for ordinary shares.</p> <p>2. Approved the Company's "Rules Governing the Preparation Process of Financial Statements."</p> <p>3. Approved the Company's "Organizational Rules of the Nomination Committee."</p> <p>4. Approved the appointment of the first-term Nomination Committee members.</p> <p>5. The Company's 2020 Q3 financial report.</p> <p>6. the Company established the Corporate Sustainability Committee on October 7, 2020.</p>	None
2020.11.11	<p>Audit Committee Opinion: No objections or qualified opinion. (Except the recusal of Directors Cheng-Yan Chien, and Shan-Jen Chow from the voting due to conflict of interests.)</p> <p>The Company's actions in response to the opinions of the Audit Committee: Not applicable.</p> <p>Resolution: Approved by the Chairman upon consultation with all the Directors present. (Except the recusal of Directors Cheng-Yan Chien, and Shan-Jen Chow from the voting due to conflict of interests.)</p>	
7th meeting of the 1st session	<p>1. Approved the amendment to the internal control system.</p> <p>2. Approved the audit plan of the Company for 2021.</p>	None
2020.12.23	<p>Audit Committee Opinion: No objections or qualified opinion.</p> <p>The Company's actions in response to the opinions of the Audit Committee: Not applicable.</p> <p>Resolution: Approved by the Chairman upon consultation with all the Directors present.</p>	

8th meeting of the 1st session 2021.02.26	1. Approved the Company's 2020 final accounting books and statements. 2. Approved the distribution of the Company's 2020 earnings. 3. Approved the self-assessment of the Company's internal control system for 2020. 4. The Company's employee stock option exercised to subscribe for ordinary shares. 5. Assess the independence of CPAs and affiliated accounting firms.  Audit Committee Opinion: No objections or qualified opinion. The Company's actions in response to the opinions of the Audit Committee: Not applicable. Resolution: Approved by the Chairman upon consultation with all the Directors present.	None
9th meeting of the 1st session 2021.05.06	1. The Company's 2021 Q1 financial report. 2. The Company's employee stock option exercised to subscribe for ordinary shares.  Audit Committee Opinion: No objections or qualified opinion. The Company's actions in response to the opinions of the Audit Committee: Not applicable. Resolution: Approved by the Chairman upon consultation with all the Directors present.	None

(II) Except for the items in the preceding issues, other resolutions which was not approved by the Audit Committee but approved by at least two-thirds of all Board of Directors members: None.

- II. In regards to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the proposal content, reasons for recusal due to conflict of interests and voting outcomes should be s
- III. Communications between the Independent Directors and the Head of Internal Audit and Accountant (such as the methods, and results of communication with respect to the Company's financial and business status):

The Head of Internal Audit reports the audit report to the individual independent directors for deficiencies and improvement suggestions found in the audit operation on a monthly basis. In addition, the Head of Internal Audit explains and discusses the Company's financial and business conditions from time to time. No material events have occurred. Relevant reporting matters are reported together in the Audit Committee and the Board of Directors. The period allows the corporate governance unit to fully understand the Company's risk assessment and control status. There are no major abnormalities in the 2020 audit results, and the independent directors have no objections. The previous communication situation is as follows:

Date of meeting	Nature and discussed issues	Independent Directors' Suggestion
2020.03.20	Report on the internal audit progress. Company's Statement of Self-assessment of Internal Control System for 2019.	The Independent Directors have no opinions and suggestions.
2020.05.14	Report on the internal audit progress.	The Independent Directors have no opinions and suggestions.
2020.08.11	Report on the internal audit progress.	The Independent Directors have no opinions and suggestions.
2020.11.11	Report on the internal audit progress.	The Independent Directors have no opinions and suggestions.
2020.12.23	Report on the internal audit progress. Discussion on the Company's 2021 audit plan.	The Independent Directors have no opinions and suggestions.

2. The Company's CPAs communicate with the governance unit after the quarterly audit or review. In addition, at least two decree announcements are held in the Company each year (obtained the Certificate of the Republic of China Securities and Futures Market Development Foundation). The independent directors and accountants of the Company maintain smooth communication.

Communication in 2020 is as follows:

Date of meeting	Nature and discussion topics	Independent Directors' Suggestion
2020.03.20	Communicate with the governance unit after the review of 2019 consolidated financial report and individual financial report Respond and discuss questions raised by participants	The Independent Directors have no opinions and suggestions.
2020.05.14	Communicate with the governance unit after reviewing the consolidated financial report for the first quarter of 2020 Respond and discuss questions raised by participants	The Independent Directors have no opinions and suggestions.
2020.08.11	Communicate with the governance unit after reviewing the consolidated financial report for the second quarter of 2020 Respond and discuss questions raised by participants	The Independent Directors have no opinions and suggestions.
2020.11.11	Communicate with the governance unit after reviewing the consolidated financial report for the third quarter of 2020 Respond and discuss questions raised by participants	The Independent Directors have no opinions and suggestions.



(III) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons Thereof

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Descriptions	
I. Does the Company establish and disclose its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	√		The Company has established the "Code of Corporate Governance Practices", which has been disclosed in the Corporate Governance Section of the MOPS. The Company established the Corporate Sustainability Committee on October 7, 2020, and related to the relevant instructions.	No material departure
II. Shareholding Structure & Shareholders' Rights				
(I) Did the Company establish an internal procedures for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedures?	√		1. The Company has set up e-mails and telephone lines for the relevant personnel to handle matters relating to shareholders' suggestions and disputes at any time.	No material departure
(II) Did the Company maintain a register of major shareholders with controlling stake as well as a register of persons with ultimate controls over those major shareholders?	√		2. The Company has set up a Shareholding Affairs Department and a stock service agency that can keep abreast of the major shareholders of the Company and the ultimate controlling persons of the major shareholders.	
(III) Did the Company establish and enforce risk controls and firewall systems with its affiliated companies?	√		3. The financial and accounting matters of all affiliated companies of the Company are carried out independently, and are handled in accordance with the "Guidelines for the Transaction between the Company and Specific Companies, the Group and Related Parties" and the "Guideline for Supervision of Subsidiaries", and the risk controls and firewall mechanisms have been implemented.	
(IV) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	√		4. The Company has established insider trading guidelines and has told the insiders to strictly abide by the guidelines. The rules are disclosed on the company's website.	
III. Composition and Responsibilities of the Board of Directors				
(I) Has a policy of diversity been established and implemented for the composition of the Board of Directors?	√		1. The Company adopted the "Corporate Governance Code" in the 17th meeting of the 6th Board of Directors on December 18, 2015, and strengthen the functions of the Directors in Chapter 3 by setting a diversity policy to ensure the diversity and independence of the Directors. Please refer to schedule 1 for the director list of 8 <sup>th</sup> term of the Board. 8 Board members have expertise in leadership, operational judgement, business management, risk handling, industry knowledge, and point of view in global market. One female director will be added to 9 <sup>th</sup> term of the Board to more comprehensively fulfill the goals.	No material departure
(II) In addition Remuneration Committee and Audit Committee established according to law, has the company voluntarily established other functional committees?		√	2. The 8th Board The 9rd meeting on November 11, 2020, Approved the Company's "Organizational Rules of the Nomination Committee." And	
(III) Has the Company established standards to measure the performance of the Board, and does it implement such standards annually? Does the Company report the results of the performance evaluation to the BOD	√			

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Descriptions	
and use them as a reference for each Director's remuneration and nomination of term renewal? (IV) Did the Company regularly implement assessments on the independence of the CPAs?	V		<p>the appointment of the first-term Nomination Committee members.</p> <p>3. The Company's Remuneration Committee's organizational rules clearly define the responsibilities of the Remuneration Committee. The Remuneration Committee establishes the relevant policies and regularly evaluates the performance of the Board of Directors. Details of Implementation of the Board of Directors.</p> <p>4. The Company independently evaluated the independence of its CPA every year, and submitted the evaluation results to the Board of Directors for review and approval on March 20, 2019 and February 26, 2021. After the evaluation, the Company's CPAs are in compliance with the Company's Independent Evaluation Standards (Please refer to Schedule III). Therefore, the independence of the CPAs should be undoubted, and the CPAs' accounting firm also issued a letter of declaration.</p>	
IV. Did the listed company set up or appoint an exclusively (or concurrently) responsible department or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by the Directors and Supervisors, and handling, in accordance with relevant laws, matters related to the meetings of the Board of Directors and Shareholders' Meetings, business registration and the amendments to the registration, and for preparing minutes of the meetings of the Board of Directors and Shareholders' Meetings)?	V		The President's Office is responsible for handling governance related affairs, and the person in charge is responsible for furnishing information requested by the Directors and Supervisors, handling matters related to meetings of the Board of Directors and Shareholders' Meetings according to the laws, processing company's registration and the amendments to the registration, and preparing minutes of the meetings of the Board of Directors and Shareholder's Meetings.	No material departure
V. Did the Company established a communication channel with stakeholders (including but not limited to the shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the Company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company?	V		It is handled by relevant business personnel; interested parties can communicate with the Company at any time if necessary. Contact details of the company's website.	No material departure
VI. Has the Company appointed a professional shareholder service agency to deal with shareholders' affairs?	V		The company commissioned Capital Securities Corps. to handle shareholders' affairs and Shareholders' Meetings.	No material departure
VII. Information Disclosure (I) Did the Company establish a website to disclose information regarding financial operations and	V		1. The Company has set up a Chinese website to disclose relevant information at any time, and in accordance with the regulations of the	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Descriptions	
<p>corporate governance?</p> <p>(II) Does the Company have other information disclosure channels (e.g. establishing an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences, etc.)?</p> <p>(III) Did the Company declare annual financial reports two months after the end of fiscal year, and declare Q1, Q2, and Q3 financial reports and monthly operational status before the prescribed deadline?</p>	V		<p>competent authority to announce and declare various information at MOPS, and set up automatic links for investors to query for relevant information.</p> <p>2. The Company has appointed designated personnel to collect and disclose various information. The person in charge shall hold irregular corporate briefings from time to time, publicizes the Company's operation overview, and employed a spokesperson and an acting spokesperson.</p> <p>3. The Company announces and declares annual financial reports three months after the end of fiscal year, and timely announces and declares Q1, Q2, and Q3 financial reports and monthly operational status before the prescribed deadline.</p>	
<p>VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by the Directors and Supervisors)?</p>	V		<p>1. Employees' rights and care: the Company upholds the belief of taking good care of its employees, manages employees in a humane manner, and cooperates with various welfare measures to establish good relationships with the employees.</p> <p>2. Investor relations, supplier relations, and rights of interested parties: the Company maintains good relationships with all related parties, and the Company's relevant business personnel communicates with each related party to deal with each related party's problems and suggestions.</p> <p>3. The Independent Directors and Supervisors currently selected by the Company are all professionals who are finance professionals or in the fields related to the Company's business. During the meetings of the Board of Directors, both the Independent Directors and Supervisors can present their opinions and understand the Company's operations situation.</p> <p>4. Continuing education of the Directors and Supervisors are attached in Schedule II.</p> <p>5. Implementation of risk management policies and measurement standards: The internal control system and various measures have been established in accordance with the law, various risk management and evaluations have been carried out, and the Internal Audit Department reviews the implementation of the internal control system regularly and irregularly. Detailed risk assessment and policy description of Fulfillment of Corporate Social Responsibility.</p>	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof						
	Yes	No	Descriptions							
			6. Implementation of customer policies: The Company maintains good relationships with its customers, and provides various services to its customers in accordance with internal management methods, and takes customer satisfaction as the highest guiding principle. 7. The Company has purchased liability insurance for its Directors, Supervisors and key employees and reported to the Board of Directors.							
IX. Describe improvements made according to the corporate governance assessment made in the recent financial year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide prioritized improvements and measures to be taken for improvements that have yet to be carried out. According to the results of the 7th Corporate Governance Review, the Company's scoreless items priority strengthening and improvement matters are as follows :										
<table border="1"> <thead> <tr> <th>Improving measures and description</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td>It was added in the 2019 annual report</td> <td>2.2、2.11、2.15、2.24、3.14、4.11、4.12</td> </tr> <tr> <td>It was added in the 2020 annual report</td> <td>2.2、2.11、2.15、4.1、4.11、4.12、1.9、1.10、1.11、1.15、2.9、2.20、2.23、3.5、3.6、3.14、3.17、3.18、3.20、4.6、4.9、4.10、4.14、4.15、4.16、4.17</td> </tr> </tbody> </table>					Improving measures and description	Item	It was added in the 2019 annual report	2.2、2.11、2.15、2.24、3.14、4.11、4.12	It was added in the 2020 annual report	2.2、2.11、2.15、4.1、4.11、4.12、1.9、1.10、1.11、1.15、2.9、2.20、2.23、3.5、3.6、3.14、3.17、3.18、3.20、4.6、4.9、4.10、4.14、4.15、4.16、4.17
Improving measures and description	Item									
It was added in the 2019 annual report	2.2、2.11、2.15、2.24、3.14、4.11、4.12									
It was added in the 2020 annual report	2.2、2.11、2.15、4.1、4.11、4.12、1.9、1.10、1.11、1.15、2.9、2.20、2.23、3.5、3.6、3.14、3.17、3.18、3.20、4.6、4.9、4.10、4.14、4.15、4.16、4.17									

Note 1: Describe briefly in implementation status column whether the result of implementation is "Yes" or "No".

Note 2: The Company's self-evaluation report is conducted in accordance with the Corporate Governance Self-Assessment Program, which is evaluated and explained by the Company, and reported on each evaluation program of the current operation and implementation of the Company.

Schedule I: Implementation status of diversification of the members of the Board of Directors

Core projects of diversity Names of directors	Basic composition						Industry experience			Professional capabilities			
	Nationality	Gender	Also serve as an employee of the Company	Age	Term of office of Independent Director		Bank	Security	Asset Management	Accounting	Law	Information Technology	Risk Management
					61 to 70	3 to 9 years							
Hsing-Hai Chen	Taiwan	Male	√	√				√			√	√	
Ming-Chien Chang	Taiwan	Male	√	√				√			√	√	
Chih-Hong Ho	Taiwan	Male	√	√				√			√	√	
Yeong-Wen Daih	Taiwan	Male	√	√				√			√	√	
Chia-Neng Huang	Taiwan	Male		√				√			√	√	
Shan-Jen Chow	Taiwan	Male		√		√		√	√	√		√	
Tsin-Fu Jiang	Taiwan	Male		√		√		√				√	
Cheng-Yan Chien	Taiwan	Male		√	√		√	√	√	√		√	

Schedule II: Continuing education of the Directors and Supervisors in FY2020 is as follows:

Title	Name	Organizer	Training Courses	Hours of Courses	Compliance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies"
Chairman of the Board	Hsing-Hai Chen	1. Securities and Futures Institute	1. New corporate governance norms and trends and recent case studies in 2020 that directors must know 2. ESG indicators and long-term corporate growth	6H(1, 2)	Yes
Director	Ming-Chien Chang			6H(1, 2)	Yes
Director	Chih-Hong Ho			6H(1, 2)	Yes
Director	Yeong-Wen Daih			6H(1, 2)	Yes
Director	Chia-Neng Huang			6H(1, 2)	Yes
Independent Director	Shan-Jen Chow			6H(1, 2)	Yes
Independent Director	Tsin-Fu Jiang			6H(1, 2)	Yes
Independent Director	Cheng-Yan Chien			6H(1, 2)	Yes

Schedule III: Evaluation Criteria for the Independence of CPAs is as follows:

Compliance with Independence	Yes	No	Remarks
Is the CPAs not a Director or Independent Director at the Company or its affiliated companies?	V		
Is the CPAs not a shareholder of the Company or its affiliated companies?	V		
Is the CPAs not paid by the Company or its affiliated companies?	V		
Has the CPAs provided auditing services to the Company for less than seven years?	V		
Is it confirmed that the CPAs has complied with his/her accountant firm's CPA independence regulations?	V		
Are the former CPAs of the Company from the same firm of the current CPAs, within a year after stepping down, not serving as the Company's Director, manager or any position with substantial impact on audit results?	V		

(IV) Composition, duties, and implementation of the Remuneration Committee:

I. Information regarding the members of the Remuneration Committee:

Identity	Qualification	Meets one of the following professional qualifications, with at least five years of work experience			Meets the Status of Independence (Note 1)										Number of other public companies where the individual concurrently serves as a member of Remuneration Committee	Remarks (Note 2)	
		Currently serving as a lecturer or higher position in a private or public college or university in the field of business, law, finance, accounting, or any related field required in business.	Currently serving as a judge, prosecutor, lawyer, accountant, or any other professional practice or technician that must undergo national examinations and specialized license	Work experience in commerce, legal affairs, finance, accounting, or related experience required by business	1	2	3	4	5	6	7	8	9	10			
Independent Director	Shan-Jen Chow		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	NA
Independent Director	Tsin-Fu Jiang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	NA
Independent Director	Cheng-Yan Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	NA

Note 1: Please tick " " in the corresponding boxes if any committee member have met any of the following criteria during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the registered countries.
- (3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total number of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.).
- (6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (7) Not a director, supervisor, or an employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and

independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

- (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,00 over the last 2 years. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions in accordance with the provisions of Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) No condition defined in Article 30 of the Company Act has appeared.



II. Scope of Responsibilities of the Remuneration Committee:

1. Periodically review this Charter and make recommendations for amendments.
2. Establish and regularly review the annual and long-term performance targets and remuneration policies, systems, standards, and structures of the Directors, Supervisors, and managers.
3. Regularly evaluate the performance targets of the Directors, Supervisors, and managers of the Company, and establish the content and amount of their remuneration.

III. Attendance of Members at Remuneration Committee Meetings

- (1) The Remuneration Committee of the Company is consist of three members.
- (2) Term of office: June 13, 2019 to June 12, 2022. A total of two (2) meetings (A) were conducted by the Remuneration Committee in the most recent financial year, where the qualifications and attendance of the members are as follows:

Title	Name	Attendance Count (B)	By Proxy	Rate of Actual Attendance (%) (B/A)	Remarks
Convener	Shan-Jen Chow	2	-	100%	
Member	Tsin-Fu Jiang	2	-	100%	
Member	Cheng-Yan Chien	2	-	100%	

Other matters:

- I. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the meeting of the Board of Directors, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason thereof): None.
- II. If the resolutions to which the members of the Remuneration Committee have an objection or reservation are recorded or written, please state the date and session of the meeting of the Remuneration Committee, proposals, opinions of the members, and handling of the opinions: None.
- III. Remuneration Committee meeting and resolution results and the Company's handling of members' opinions in the most recent year:

Remuneration Committee	Resolution content and results
1st meeting of the 4th session 2020.8.11	1. Adjustment of salaries of the Company's managerial officers for 2020. 2. Distribution of 2019 directors' and supervisors' remuneration 3. Distribution of 2019 employees' compensation and bonus paid to managerial officers. Audit Committee Opinion: No objections or qualified opinion. Resolution results: Except for proposal 2. Members Shan-Jen Chow, Tsin-Fu Jiang and Cheng-Yan Chien are stakeholders (independent directors) of the proposal, they recused themselves individually and the proposal was discussed and approved by other members.

	<p>The rest were approved without objection by the Chairman upon consultation with all the Directors present.</p> <p>The Company's response to the opinions of the Audit Committee: Submitted to the Board meeting and approved by all the Directors present.</p>
2nd meeting of the 4th session 2020.12.23	<p>Proposal of the annual plan of the Company's Remuneration Committee for 2021.</p> <p>Audit Committee Opinion: No objections or qualified opinion.</p> <p>Resolution results: Approved without objection by the Chairman upon consultation with all the Directors present.</p> <p>The Company's actions in response to the opinions of the Audit Committee: Not applicable.</p>

(V) Fulfillment of Corporate Social Responsibility and Difference with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons thereof:

Evaluation Item	Implementation Status (Note 1)		Summary (Note 2)	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
1. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? disciplinary system?	V		1. The Company has set out the Corporate Social Responsibility (CSR) policies and disclosed in the corporate governance section on MOPS. The Company has a long-term care for special education groups and cultural and educational activities, cooperates and supports the operation of the "ESMT Educational Foundation". Combines the strength of relevant groups, it supports children who have lost their relationship, and sponsors cultural, artistic and educational-related public welfare activities. The Company also reviews the effectiveness according to the annual plan. The Company established the Corporate Sustainability Committee on October 7, 2020. and related to the relevant instructions.	No material departure
2. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		1. The President's Office of the Company is responsible for matters related to the planning, implementation and promotion of corporate social responsibility, and organizing charity events of the "EMST Educational Foundation."	No material departure
III. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of its industry? (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V  V		1. The Company is committed to green product design and has obtained Green Partner certifications from multiple customers. At present, the Company's products are in compliance with international standards, such as RoHS, REACH, etc.  2. To conduct environmental management, the Company established an	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
<p>(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to address climate change issues?</p> <p>(4) Has the Company taken inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and formulated policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management ?</p>	V		<p>environmental management system in 2007 and obtained ISO 14001 certification through verification in January 2008, and has continued to promote programs relating to environmental improvement ever since.</p> <p>3. To tackle global climate change, reduce and manage greenhouse gas emissions, deliver environmental justice, and fulfill its responsibility to protect the global environment, the Company conducts air conditioning and temperature control in summer to achieve efficient energy use and the goal of energy saving and carbon reduction. The Company continues to improve its performance in energy saving and carbon reduction in accordance with the ISO 14001 management system.</p> <p>4. The Company actively responds to the Carbon Disclosure Project (CDP) and voluntarily discloses greenhouse gas emissions according to the "Greenhouse Gas Protocol" (GHG Protocol) published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). The results of the inventory are detailed on #page 89# of the annual report.</p>	
<p>IV. Social Issues</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected</p>	V	V	<p>1. Employee selection, training, appointment, retention, benefits and retirement of the Work Rules established by the Company are in compliance with domestic labor regulations and the International Bill of Human Rights.</p> <p>2. The Company has established employee performance assessment</p>	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
<p>the business performance or results in employee compensation appropriately?</p> <p>(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the Company provide its employees with effective career development and training sessions?</p> <p>(5) Does the Company comply with relevant laws, regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has a policy and complaint procedure for protecting consumer rights?</p> <p>(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised the implementation?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>procedures to evaluate employees' performance. The salary and remuneration are adjusted according to the evaluation results. Rewards and penalties are stipulated in the "Work Rules" with reference to the requirement of the corporate social responsibility policies.</p> <p>3. The Company established the Labor Safety and Health Committee in October 2009 to continuously strengthen the hardware and software facilities of work environment safety and personnel protection, in compliance with the relevant domestic laws and regulations, and successively promote and implement the related improvement programs.</p> <p>4. The Company enrolls employees in various seminars and courses related to career planning according to their career plans. The Company links the growth and development of the Company with the career development of its employees for the employer and the employees to grow together. The Company's Welfare Committee allocates subsidies for employee education and training every year.</p> <p>5. The marketing and labeling of the Company's products and services are in compliance with relevant laws and regulations and international standards, such as the labeling of RoHS compliance on product packaging. The Company values customer feedback and has a dedicated unit that executes and handles complaint-related issues in accordance with the "Code of Practice for Handling Customer Complaints."</p> <p>When the Company signs a contract with a major supplier, the content of the</p>	

Evaluation Item	Implementation Status (Note 1)		Summary (Note 2)	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			contract should include the terms of compliance with the CSR policy of both parties, and both parties should each try the best to fully understand whether the other party has violated its CSR and incorporate the circumstance into the commercial contract accordingly.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports, such as CSR reports, to disclose non-financial information? Have the foregoing reports been verified or guaranteed by a third-party certification body?	√		1. The Company has disclosed the fulfillment of social responsibilities on its website and in the report of the Annual Shareholders' Meeting.	
VI.If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: To practice corporate social responsibility and achieve sustainable development goals, the Company established "Corporate Social Responsibility Practice Code" with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the internal and external environment of the Company, to manage the Company's economic, environmental and social risks and impacts. The Company also assumes corporate citizenship responsibility, enhances national economic contributions, improves the quality of life of its employees, the communities, and society, and promotes competitive advantages based on corporate responsibility.				
VII. Other important information to facilitate better understanding of the Company's Corporate Social Responsibility practices:				
1. Corporate Social Responsibility Promotion Unit				
The President's Office of the Company is responsible for the planning, implementation and promotion of corporate social responsibility related matters. It integrates corporate social responsibility into the Company's business strategy in a purposeful, systematic and organized long-term manner, and fulfills corporate social responsibility. The Company established the Corporate Sustainability Committee on October 7, 2020.and related to the relevant instructions.				
2. Risk Assessment and Policy				
Based on the principle of corporate social responsibility, the Company conducts risk assessments on important issues, and formulates the following risk management policies or strategies based on the assessed risks:				
Major Issues	Assessment Item	Risk management policy or strategy		

Evaluation Item		Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
		Yes	No	Summary (Note 2)	
Environmental Sustainability	Environmental Protection			<p>As a member of the global semiconductor product supply chain, ESMT is obligated to take responsibility for the sustainable development of the environment. Through friendly environment, energy-saving and carbon reduction, and the formulation of safety and health policies, all business activities that affect the environment, safety and health should comply with legal requirements, reduce the negative impact on the environment, safety and health, and aim at increasing resource recycling. In addition, in line with international environmental protection laws and customers' requirements for environmental protection, ESMT has also established a green product management system, making continuous improvement through the institutionalized PDCA management cycle, and obtained Green Partner certification from major international manufacturers. The products also comply with RoHS, REACH and other regulatory requirements.</p> <p>In the future, ESMT's main goal of environmental sustainability will continue to work hard and improve on green product design, launch more energy-saving and low environmental load products, and contribute to the sustainable development of the environment.</p>	
	Workplace Safety			<p>To prevent occupational disasters and protect the safety and health of employees, ESMT has established an occupational safety and health committee. Through internal and external safety inspections and regular committee meetings, labor safety and health related issues are discussed, various labor safety and health related policies are also implemented.</p> <p>Through education and training, the Company conveys the Company's commitment and relevant policy requirements, enabling employees and contractors to gain an understanding of the safety and health regulations and policies. The Company continues to improve through the institutionalized PDCA management cycle and implements the emergency response plan to ensure the achievement of safety and health goals and workplace safety.</p>	
	Social Care			<p>The Company has long-term care for special education groups and cultural and educational activities, providing resources and manpower, cooperating with the operation of the "ESMT Educational Foundation", combining the strength of related groups, helping children who have lost their families, and sponsoring or organizing culture, art and education, related public welfare activities, and reviewing the effectiveness according to the annual plan, to achieve the goal of caring for the society and giving</p>	

Evaluation Item	Implementation Status (Note 1)		Summary (Note 2)	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		

		back to the society.		
Corporate Governance	Social-economy Legal Compliance	The Company ensures the achievement of the Company's operating efficiency by establishing a governance organization that meets the requirements and implements internal control mechanisms, thereby rewards shareholders, employees, and society. At the same time, through the establishment and promotion of relevant systems, the Company ensures that all personnel and operations shall strictly comply with relevant laws and regulations.		

3. The Company cooperates and supports the "ESMT Educational Foundation" of the purpose of this Council is to promote public welfare activities such as education, arts and culture, and to encourage lifelong learning and the very nature of life:

- I. Establish or provide scholarships to encourage study or learning preprofessional skills.
- II. Promote, sponsor, or organize various public welfare activities and clubs related to education, art and literature, and advocacy of aesthetics.
- III. Promote, sponsor, or organize various public welfare activities and clubs related to lifelong learning, talent cultivation, occupational competence training, life education, reformatory education and inspiring growth education.
- IV. Sponsor high-tech education and talent cultivation.
- V. Promote, sponsor, or organize various academic activities and interchanges.
- VI. Provide rewards to cultivation of outstanding talents and participation in various performances and competition.
- VII. Donate books, tools and materials, or equipment for the purpose of public welfare education.
- VIII. Other education affairs of a public welfare nature that meet the purpose of the founding of this Foundation.

The 2020 implementation plan is as follows:

- a. Sponsored the fund of Hsinchu Toranado Boxing Education Association.
- b. Sponsored the operating fund of Hsinchu Symphony Orchestra.
- c. Sponsored the student sewing hand-made course and teacher training project fund of Charity Foundation Hsinchu Catholic Social Welfare Foundation.

The rest is omitted

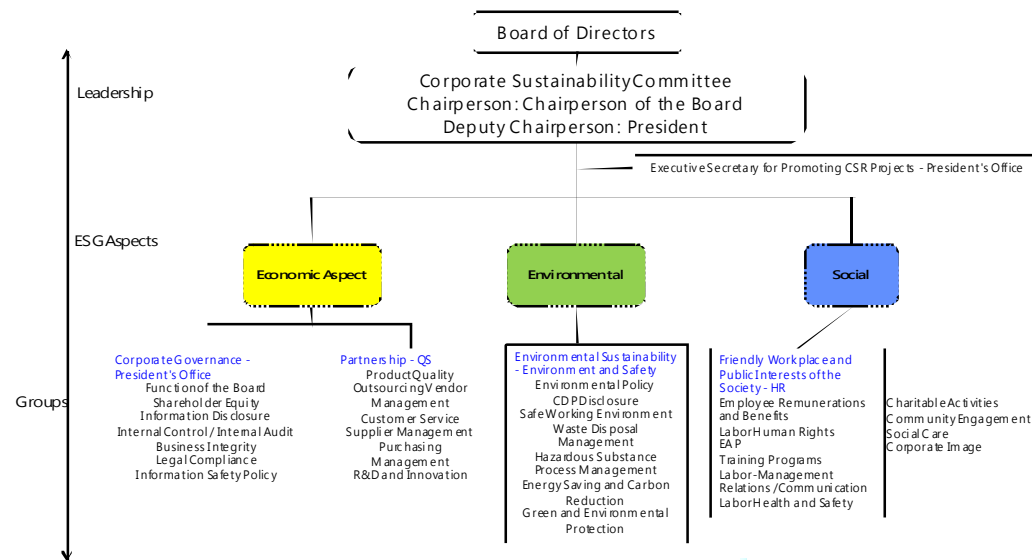


Evaluation Item	Implementation Status (Note 1)		Summary (Note 2)	Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
For the related content, please refer to the website of ESMT Educational Foundation: <a href="http://www.esmt.com.tw/foundation/index.asp">http://www.esmt.com.tw/foundation/index.asp</a>				
I. A clear statement shall be made below if the Corporate Social Responsibility report were verified by external certification institutions: Not applicable.				

In response to the promotion of risk management and corporate sustainability strategy, the Company established the Corporate Sustainability Committee on October 7, 2020. The Chairperson of the Board and the President are the Chairperson and the Deputy Chairpersons of the Committee, respectively, convening senior executives to form the Committee, which consists of working groups on "Corporate Governance," "Partnership," "Environmental Sustainability," and "Friendly Workplace and Public Interests of the Society." The aim is to manage business risks in the economic, environmental and social aspects based on the principle of sustainable management, and provide a reference for the senior managers and the Board of Directors to formulate strategic policies and improve management. Details of the Committee's organization and annual operation are shown in the attached chart.

The Company submitted a report on the establishment of the Corporate Sustainability Committee to the Board of Directors at the ninth meeting of the eighth Board (Nov. 11, 2020).

## Organizational Structure of ESMT Corporate Sustainability Committee



### Committee Responsibilities

- Formulate the direction, strategy and goals for the sustainable development of the Company
- Define the severity of the impact of various issues on the Company
- Confirm the Company's major issues and the priority of their implementation
- Assign the executive secretary and group leaders
- Review the short-, mid- and long-term goals and implementation proposals of major issues prepared by each working group
- Supervise the working groups implementing plans and programs
- Track and review the achievement status of each goal and implementation plan
- Report to the Board of Directors on the effectiveness of implementation and future plans

### Risk management policy

Under the principle of corporate sustainable management, the Company conducts risk control in the economic, environmental, and social aspects, and through the promotion of the Corporate Sustainability Committee, the Company assesses risks, formulates strategic policies and carries out work in the

directions of "corporate governance," "partnership," "environmental sustainability," and "friendly workplace and public interests of the society" in the hope of improving management and achieving sustainable management.

The Company submitted a report on risk management policies to the Board of Directors at the ninth meeting of the eighth Board (Nov. 11, 2020).

Responsibilities of the Working Groups

Aspect	Group	Responsibilities
G	Corporate Governance	<ol style="list-style-type: none"> <li>1. Assist the Board of Directors in fortifying the functions</li> <li>2. Protect the rights and interests of investors</li> <li>3. Establish various systems and regulations for corporate governance</li> <li>4. Ensure the transparency and disclosure of information</li> <li>5. Comply with relevant laws and regulations</li> </ol>
	Partnership	<ol style="list-style-type: none"> <li>1. Improve the sustainability of the supply chain</li> <li>2. Build long-term partnerships for co-prosperity regarding product quality, customer service, and delivery and supply in supply chain management.</li> </ol>
E	Environmental Sustainability	<ol style="list-style-type: none"> <li>1. Promote the environmental protection work of the Company to meet the requirements of laws and regulations</li> <li>2. Promote work on safety and health to meet the requirements of laws and regulations and ensure the safety of the working environment</li> <li>3. Promote energy saving and carbon reduction to achieve the set goals</li> </ol>
S	Friendly Workplace and Public Interests of the Society	<ol style="list-style-type: none"> <li>1. Plan employee benefits</li> <li>2. Assist the Company in planning employee career development</li> <li>3. Uphold employees' rights at work</li> <li>4. Create a friendly workplace</li> <li>5. Develop community welfare and give back to the community in line with the Company's core philosophy.</li> </ol>

Operation in 2020

1. Committee Meetings

(1) Oct. 7, 2020 (Committee established)

- Discussed and approved the organization and responsibilities of the Committee and the working groups

- Discussed and approved the appointment of the executive secretary and the group leaders
  - Reported on promotion plans
- (2) Nov. 6, 2020
- Discussed and determined stakeholder engagement, impact level, and operational relevance survey process
- (3) Nov. 25, 2020
- Discussed and determined the Company's CSR vision, mission and implementation guidelines

2. Report of the Board of Directors

(1) Nov. 11, 2020 (The ninth meeting of the eighth Board)

- Reported on the establishment of the Committee
- Reported on the organization, responsibilities and personnel appointment of the Committee
- Reported on promotion plans

(1) Dec. 23, 2020 (the tenth meeting of the eighth Board)

Work reports of the Committee and its working groups

(VI) Compliance with ethical corporate management, and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof
	Yes	No	Descriptions	
I. Establishment of Ethical Corporate Management Policies and Programs  (I) Has the Company formulated the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous	V		<ol style="list-style-type: none"> <li>1. The Company and the Group of Companies clearly specified in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management for rigorous and thorough implementation of such policies, and carried out the policies in internal management and in commercial activities.</li> <li>2. The Directors, managers, and employees of the Company shall not, directly or indirectly, provide, promise, demand or accept any improper benefits or engage in other unethical or illegal acts or breach their fiduciary duties during the course of commercial activities in order to acquire or maintain their personal interest.</li> </ol>	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof
	Yes	No	Descriptions	
<p>and thorough implementation of such policies?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct to analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and formulated a prevention program accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company defined operational procedures, conduct guidelines, and disciplinary and grievance systems for non-compliance in its prevention program against unethical conduct and implemented them, and does the Company regularly review and revise the foregoing program?</p>	V		3. When establishing the prevention program, the Company shall analyze business activities within the business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.	
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(IV) Has the Company established an effective accounting</p>	V	V	<p>1. Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with the integrity management policy.</p> <p>2. The President's Office of the Company is responsible for the formulation and supervision of the corporate integrity management policy and the implementation of the plan, and reports to the Board of Directors on a regular basis.</p> <p>3. The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks potentially resulting from unethical conducts, and shall also offer appropriate means for the Directors,</p>	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof
	Yes	No	Descriptions	
<p>system and internal control system for the implementation of ethical corporate management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of unethical conduct and checked the compliance of the prevention program against unethical conduct accordingly, or entrusted a CPA to perform the audit?</p> <p>(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?</p>	V		<p>Supervisors, managers, and other stakeholders attending or be present at the meetings of the Board of Directors to voluntarily explain whether their interests would potentially be conflicted with those of the Company.</p> <p>4. The Company shall establish effective accounting systems and internal control systems for business activities that are potentially at a higher risk of being involved in unethical conducts to prevent from having under-the-table accounts or keeping secret accounts, and conduct reviews regularly to ensure that the design and enforcement of the systems are effective. The Internal Audit Department regularly reviews the compliance of various systems and reports to the Board of Directors.</p> <p>5. The Company promotes the concept of integrity management at all levels of management meetings and communication meetings. In addition, there are a variety of communication channels that can be communicated at any time.</p>	
<p>III. Status of Enforcing Whistle-blowing Systems in the Company</p> <p>(I) Has the company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused?</p> <p>(II) Has the Company established an SOP for investigation and relevant confidentiality mechanism for all whistleblowing cases?</p> <p>(III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling?</p>	V		<p>1. The Company has strengthened the promotion of ethical concepts to employees and established a dedicated hotline and e-mail, where employees can report to the management if they suspected or identified violations of laws and regulations or ethical standards. In addition, a reward and punishment system is stipulated in the "Work Rules" and announced to all employees of the Company.</p> <p>2. The Company has a dedicated complaint hotline and e-mail to provide employees with timely response and opinion. Complaints are handled according to the Company's relevant measures. To protect whistleblowers, confidentiality terms are stipulated in the procedures. The Company will take appropriate measures depending on the seriousness of the circumstances. Contact details of the company's website.</p> <p>3. The measures of the Company stipulated protection measures for the whistleblowers to ensure the quality and fairness of the investigation and avoid unfair treatment.</p>	No material departure

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof
	Yes	No	Descriptions	
IV.Enhanced Disclosure of Corporate Social Responsibility Information Has the Company disclosed the content of its integrity operation principles and its result of implementation on its website and MOPS?	V		1. The Company has established the "Code of Integrity Management", which has been disclosed in the Corporate Governance section on MOPS and company's website.	No material departure
V.If the Company has established the Corporate Social Responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: To establish a corporate culture and sound development of integrity management, the Company refers to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", and the internal and external environment of the Company, and formulate the "Code of Integrity Management" to comply with.				
VI.Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e. g. reviews and amendments to its policies). The Company should operate its business in a fair and transparent manner based on the principle of good faith management. Designated people are in place as regular communication channels with the customers to keep up with the customer dynamics at any time through a good mechanism to ensure the integrity of both parties. The Company also pays attention to the relevant laws and regulations on integrity management at any time, based on which it reviews and improves the relevant operation standards of the Company and enhances the effectiveness of the Company's integrity management. The Company established the Corporate Sustainability Committee on October 7, 2020.and related to the relevant instructions.				

Note 1: Describe briefly in implementation status column whether the result of implementation is "Yes" or "No".

Note 2: Companies that have compiled CSR reports may specify ways to access the report and indicate the page numbers of the cited pages.

(VII) Please disclose the access to the Company's corporate governance principles and related rules and regulations:

The Company has established the "Corporate Governance Code" and related regulations, which have been disclosed in the Corporate Governance section of MOPS, which is available for access to the investors (including shareholders).

(VIII) Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed together: None.

(IX) Status of Internal Control System:

1. Statement of Internal Control:

### Elite Semiconductor Microelectronics Technology Inc

Date: February 26, 2021

This Statement of Internal Control System is issued based on the self-assessment of the Company for the Financial Year 2020.

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the three aforementioned goals. In addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Guidelines Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Guidelines") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Guidelines divide the internal control system into five constituent elements: 1. control environment; 2. risks assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Guidelines.



- IV. The Company has already adopted the aforementioned Guidelines to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the Company's operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations.
- VI. This statement will constitute the main content of the Company's Annual Report and the Prospectus, which will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Company's Board of Directors on February 26, 2021, and out of the 8 members of the Board of Directors in attendance, none had objected to it and all consented to the contents expressed in this statement.

Elite Semiconductor Microelectronics Technology Inc

Chairman of the Board: Hsing-Hai Chen      Signature and Seal

President: Ming-Chien Chang      Signature and Seal

- 2. Any CPA commissioned to conduct an audit on the Internal Control System shall disclose the CPA's audit report: None.
- (X) The Company and its internal personnel that have been punished according to law in the most recent financial year and up to the date of publication of the Annual Report, and the punishment imposed by the Company on its internal personnel for violating internal control system regulations, and major deficiencies and improvements: None.
- (XI) Important resolutions of the Shareholders' Meetings and the meetings of the Board of directors from the most recent financial year up to the date of publication of the Annual Report.

Board of Directors:

Date	Content of Proposals and Follow-up Actions	Issues specified in Article 14-3 of the Securities and Exchange Act	Objections or Qualified Opinion of the Independent Directors
<p>The 8th Board Meeting The 5th meeting. March 20, 2020</p>	(1) Approved the resolution of the distributions of employee bonus and Directors bonus for FY2019.		
	(2) Approved the resolution of the Company's Final Statement for FY2019.		
	(3) Approved the resolution of the Company's earnings distribution for FY2019.		
	(4) Approved the Company's Statement of Self-assessment of Internal Control System for FY2019.		
	(5) Approved the Company's allowance of employee stock option to be subscribed for ordinary shares of NT\$ 59.20 - 303.40 per share until March 31, 2020. If the employee exercises the stock option, the Chairman of the Board is authorized to set the actual number of shares issued within the range of 1,000 shares to 543,506 shares. The record date for the issuing of new shares is set at March 31, 2020. The Chairman of the Board is authorized to amend the date if any change arises.		
	(6) Approved the resolution of the business plan and budget plan for FY2020.		
	(7) Approved the resolution to amend the Company's "Audit Committee Charter".	V	
	(8) Approved the resolution to amend the Company's "Procedures of the Meetings of the Board of Directors".	V	
	(9) Approved the resolution to amend the Company's "Remuneration Committee Organization Charter".	V	
	(10) Approved the resolution to amend the Company's "Articles of Association".	V	
	(11) Approved the resolution to amend the Company's "Self-Evaluation of the Board of Directors".	V	
	(12) Approved the resolution to convene the Company's 2020 Annual Shareholders' Meeting.		
	(13) Approved the resolution for the period and venue for accepting proposals from the shareholders		
	(14) Approved the resolution of the evaluation of the independence of the CPAs and CPAs' accounting firm.	V	
Opinions of Independent Directors: None.			
The Company's actions in response to the opinions of the Independent Directors: None.			
Resolution results: All the directors present voted in favor of the resolution without any objection.			
<p>The 8th Board Meeting The 6th meeting May 14, 2020</p>	(1) Approved that Company's employee stock option can be exercised to subscribe for ordinary shares at NT\$59.2 - 303.4 per share until June 30, 2020. If the employee exercises the stock option, the Chairman is authorized to set the actual number of shares issued range from 1,000 to 543,506 shares. The base date for the issuance of new shares is June 30, 2020. In the event of a change, the Chairman is authorized to change the date.		
	(2) Approved the amendments to the Company's "Procedures for the Acquisition and Disposal of Assets".	V	
	(3) Approved the amendments to the Company's "Rules of Procedure for Board of Directors Meetings."	V	
	(4) Approved the amendments to the Company's "Audit Committee's Articles of Association".	V	
	(5) Approved the application for the credit line with various financial institutions in response to the Company's capital needs.		
	Opinions of the Independent Directors: None.		
The Company's actions in response to the opinions of the Independent Directors: None.			
Resolution results: All the directors present voted in favor of the resolution without any objection.			

Date	Content of Proposals and Follow-up Actions	Issues specified in Article 14-3 of the Securities and Exchange Act	Objections or Qualified Opinion of the Independent Directors
The 8th Board The 7st meeting June 15, 2020	(1) The Chairman of the Board reported on the Company's 2018 cash dividend payment date and ex-dividend date.		
	Opinions of Independent Directors: None.		
	The Company's actions in response to the Opinions of the Independent Directors: None.		
	Resolution results: All the Directors present voted in favor of the resolution without any objection.		
The 8th Board The 8nd meeting August 11, 2020	(1) Approved the resolution that the Company will be subject to the stock price adjustment of the employee's stock option of the original Eon Silicon Solution Inc. due to the merger.		
	(2) Approved the Company's allowance of employee stock option to be subscribed for ordinary shares of NT\$ 57.6 - 241.2 per share until Sep 30, 2020. If the employee exercises the stock option, the Chairman of the Board is authorized to set the actual number of shares issued within the range of 1,000 shares to 527,821 shares. The record date for the issuing of new shares is set at September 30, 2020. The Chairman of the Board is authorized to amend the date if any change arises.		
	(3) Approved the application for the credit line with various financial institutions in response to the Company's capital needs.		
	(4) Approved the resolution of the managers' remuneration adjustment for FY2020 of the Company.		
	(5) Approved the resolution of the Company's remuneration to Directors and Supervisors for FY2019.		
	(6) Approved the resolution of managers' and employees' compensation and bonus for FY2019 of the Company.		
	Opinions of the Independent Directors: None.		
	The Company's actions in response to the opinions of the Independent Directors: None.		
	Resolution results: Resolutions 1-3 were approved by all Directors present at the meeting. Resolutions 4 and 6 were approved by all Directors present at the meeting except the recusal of Directors Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, and Yeong-Wen Daih from the voting due to conflict of interests.		
	Resolutions 5 was approved by all Directors present at the meeting except the recusal of Directors Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih, Chia-Neng Huang, and Shan-Jen Chow from the voting due to conflict of interests.		
The 8th Board The 9rd meeting November 11, 2020	(1) Approved the Company's allowance of employee stock option to be subscribed for ordinary shares of NT\$57.6-217.4 per share until Dec. 31, 2020. If the employee exercises the stock option, the Chairperson of the Board is authorized to set the actual number of shares issued within the range of 1,000 shares to 518,018 shares. The base date for the issuance of new shares is Dec. 31, 2020. In the event of a change, the Chairperson is authorized to set another date.		
	(2) Approved the Company's "Rules Governing the Preparation Process of Financial Statements."	V	
	(3) Approved the Company's "Organizational Rules of the Nomination Committee."	V	
	(4) Approved the appointment of the first-term Nomination Committee members.		
	(5) Approved to apply to various financial institutions for credit lines in response to the Company's capital requirements.		
	Opinions of the Independent Directors: None.		
	The Company's actions in response to the opinions of the Independent Directors: None.		
Resolution: All the directors present voted in favor of the resolution without any objection.			
The Eighth Board The Tenth Meeting	(1) Approved the amendment to the internal control system.	V	
	(2) Approved the audit plan of the Company for 2021.		
	(3) Approved the adjustment of the Directors' salaries and compensations.		
	(4) Approved to apply to various financial institutions for credit lines in		

Date	Content of Proposals and Follow-up Actions	Issues specified in Article 14-3 of the Securities and Exchange Act	Objections or Qualified Opinion of the Independent Directors
2020.12.23	response to the Company's capital requirements.		
	Opinions of the Independent Directors: None.		
	The Company's actions in response to the opinions of the Independent Directors: None.		
	Resolution results: All the directors present voted in favor of the resolution without any objection.		
The Eighth Board Meeting 2021.02.26	(1) Amended the Company's "Regulations Governing Self-Appraisal or Peer Appraisal by the Board of Directors"	V	
	(2) Amended the Company's "Regulations Governing the Organization of the Salary and Remuneration Committee"	V	
	(3) Approved the 2020 remuneration distribution for employees and directors.		
	(4) Approved the Company's 2020 final accounting books and statements.		
	(5) Approved the distribution of the Company's 2020 earnings.		
	(6) Approved the self-assessment of the Company's internal control system for 2020.		
	(7) Approved the Company's allowance of employee stock option to be subscribed for ordinary shares of NT\$57.6 per share until Mar. 31, 2021. If the employee exercises the stock option, the Chairperson of the Board is authorized to set the actual number of shares issued within the range of 258,915 shares to 412,145 shares. The base date for the issuance of new shares is Mar. 31, 2021. In the event of a change, the Chairperson is authorized to set another date.		
	(8) Approved the establishment of the operating plan and budget for fiscal year 2021.		
	(9) Approved the amendment to the Company's "Rules for Election of Directors" of the Company.	V	
	(10) Approved the amendment to the Company's "Articles of Incorporation."	V	
	(11) Approved the convening of the Company's 2021 Annual General Shareholders' Meeting.		
	(12) Approved the designated period and venue for accepting proposals from the shareholders.		
	(13) Approved the evaluation of the independence of the CPAs and their affiliated firms.	V	
	Opinions of the Independent Directors: None.		
	The Company's actions in response to the opinions of the Independent Directors: None.		
	Resolution results: All the directors present voted in favor of the resolution without any objection.		
The 8th Board Meeting The 12th meeting May 06, 2021	(1) Approved that Company's employee stock option can be exercised to subscribe for ordinary shares at NT\$57.6 per share until June 30, 2021. If the employee exercises the stock option, the Chairman is authorized to set the actual number of shares issued range from 29,607 to 71,174 shares. The base date for the issuance of new shares is June 30, 2021. In the event of a change, the Chairman is authorized to change the date.		
	(2) Approved the amendments to the Company's " Rules for Election of Directors "	V	
	(3) Approved to apply to various financial institutions for credit lines in response to the Company's capital requirements.		
	(4) Approved the Addition the Discussions for General Shareholders' Meeting.		
	(5) Approved the resolution of the managers' bonus.		
	Opinions of independent directors: None.		
	The Company's actions in response to the opinions of independent directors: None.		
	Resolution: All the directors present voted in favor of the resolution without any dissenting opinion.		

Shareholders' Meeting:

Date	Review of Key Resolutions and Implementation			
June 15, 2020	Adoption Item 1: Adoption of the Business Report and Financial Statements for FY2019. Resolution: The proposal is voted and resolved as it is..			
	Voting Results:			
	Number of Votes by Attending Shareholders	Approved Votes	Disapproved votes	Abstained Votes/No Votes
	190,396,971 rights	182,677,424 rights	16,017 rights	8,703,530 rights
	100%	95.42%	0.00%	4.57%
	Adoption Item 2: Adoption of the Earnings Distribution for FY2019. Resolution: The proposal is voted and resolved as it is.			
	Voting Results:			
	Number of Votes by Attending Shareholders	Approved Votes	Disapproved votes	Abstained Votes/No Votes
	190,396,971 rights	182,031,419 rights	33,018 rights	8,332,534 rights
	100%	95.60%	0.01%	4.37%
Implementation review: The cash ex-dividend date of this Earnings Distribution was July 11, 2020, and the dividend was distributed by remittance and postal cheque on July 31, 2020				
Discussion Item 1: Proposed resolution to amend the Company's "Articles of Association". Resolution: The proposal is voted and resolved as it is.				
Voting Results:				
Number of Votes by Attending Shareholders	Approved Votes	Disapproved votes	Abstained Votes/No Votes	
190,396,971 rights	182,042,572 rights	22,024 rights	8,332,375 rights	
100%	95.61%	0.01%	4.37%	
Implementation review: The Company's operating management system documents have been amended, and the relevant "Articles of Association" shall be handled in accordance with this newly revised provision.				

(XII) Major Issues of Record or Written Statements Made by Any Director Objecting to Important Resolutions Passed by the Board of Directors in the most recent recent financial year and up to the date of publication of the Annual Report: None.

(XIII) Resignation or Dismissal of the Chairman of the Board, President, and Heads of Accounting, Finance, Internal Audit and R&D in the most recent recent financial year and up to the date of publication of the Annual Report: None.

IV. Information of Audit Fee

(I) Range of Audit Fee Range:

CPAs' Accounting Firm	Name of CPAs		Audit Period	Remarks
PricewaterhouseCoopers Taiwan	Ya-Huei Cheng	Danie Lee	2020.1.1~2020.12.31	

Range of Fees		Fees Category	Audit Fee	Non-audit fee	Total
1	Under NT\$ 2,000 thousand			V	
2	NT\$ 2,000 thousand (inclusive) - NT\$ 4,000 thousand				
3	NT\$ 4,000 thousand (inclusive) - NT\$ 6,000 thousand				
4	NT\$ 6,000 thousand (inclusive) - NT\$ 8,000 thousand		V		V
5	NT\$ 8,000, thousand (inclusive) ~ NT\$ 10,000 thousand				
6	Over NT\$ 10,000 thousand (inclusive)				

(II) If the Company is in any one of the following conditions, the following information shall be disclosed:

- (1) If the non-audit fees paid to CPAs, the CPA's accounting firm and its affiliates amounted to over one-fourth of the audit fees paid to the CPAs, the amount of audit and non-audit fees and the content of the non-audit services shall be disclosed:

Unit:NT\$1,000

CPA Accounting Firm	Name of CPAs		Audit Fee	Non-audit Fee					Audit Period	Remarks
				System Design	Business Registration	Human Resource	Others	Sub-total		
Pricewaterhouse Coopers Taiwan	Cheng Ya-Hui	Li Tien I	6,380	-	203	-	770	973	2020.1.1~2020.12.31	The non-audit fees are mainly the income tax exemption application service fee of NT\$ 720 and dual-status business entities verification fee of NT\$50, etc.

- (2) Where the CPA firm was replaced, and the audit fees in the financial year when the replacement was made were less than that in the previous financial year before the replacement, the amount of the audit fees paid before the replacement and reasons for paying said amount shall be disclosed: Not applicable.

- (3) Where accounting fee paid has decreased for more than 15% than that of the previous year, the amount, proportion, and reason of the reduction shall be disclosed: None.

V. Changes of CPAs: None.

VI. Any of the Company's Chairman of the Board, President, or managers in charge of finance or accounting held a position in CPA's accounting firm or its affiliates in the most recent year: None.

VII. Conditions of shares transfer and changes in equity pledge from the Chairman of the Board, managers, and shareholders who hold more than ten percent (10%) of the total shareholder, from the most recent financial year up to the date of publication of the Annual Report:

(I) Shares changes by Directors, Supervisors, anagers, and major shareholders

Title	Name	2020		As at April 18, 2021	
		Shareholding (Number of Shares) Amount Increased (Decreased)	Shares Pledged Amount Increased (Decreased)	Shareholding (Number of Shares) Amount Increased (Decreased)	Shares Pledged Amount Increased (Decreased)
Chairman of the Board	Hsing-Hai Chen	-	-	-	-
Director President	Ming-Chien Chang	-	-	-	-
Director Senior Vice President	Chih-Hong Ho	-	-	-	-
Director Vice President	Yeong-Wen Daih	10,000	-	-	-
Director	Shin Xin Investment Co., Ltd.	-	-	-	-
Corporate Representative of Directors	Chia-Neng Huang	-	-	-	-
Independent Director	Shan-Jen Chow	-	-	-	-
Independent Director	Tsin-Fu Jiang	-	-	-	-
Independent Director	Cheng-Yan Chien	-	-	-	-
Senior Director of Finance Department	Candy Chu	-	-	-	-

(II) Equity transfer information: None.

(III) Shares pledged: None.

VIII. Relationship information between the 10 largest shareholders

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominees		The name and relationship with any one who is a related party or a relative within the second degree of kinship among the ten largest shareholders,		Remarks
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Name (or Name)	Relationship	
Jie Yong Investment Ltd.	14,154,000	4.95%	-	-	-	-	Hsing-Hai Chen	Chairman of the Board of this company	
							Ming-Chien Chang	Director of this company	
Representative of Jie Yong Investment Ltd.: Hsing-Hai Chen	8,411,629	2.94%	1,370,927	0.47%	-	-	Jie Yong Investment Ltd.	Chairman of the Board of this company	
Hsing-Hai Chen	8,411,629	2.94%	1,370,927	0.47%	-	-	Jie Yong Investment Ltd.	Chairman of the Board of this company	
Ming-Chien Chang	5,523,825	1.93%	1,618,785	0.56%	-	-	Jie Yong Investment Ltd.	Director of this company	
British Virgin Islands merchant KAHOW LTD.	5,222,985	1.83%	-	-	-	-	Shun Cheng Investment Co., Ltd.	Subsidiary	
Representative of British Virgin Islands merchant KAHOW LTD.: ML Chiou	949	-	-	-	-	-	-	-	
Shun Cheng Investment Co., Ltd.	4,807,941	1.68%	-	-	-	-	British Virgin Islands merchant KAHOW LTD.	Parent company	
Representative of Shun Cheng Investment Co., Ltd.: Ming-Hui Chen	-	-	-	-	-	-	-	-	
Chang Wah Electromaterials Inc.	4,350,000	1.52%	-	-	-	-	-	-	
Representative of Chang Wah Electromaterials Inc.: Chia-Neng Huang	-	-	-	-	-	-	-	-	
J.P. Morgan Is A Special Account Of JP Morgan Securities Co., Ltd.	3,509,359	1.23%							
Chase hosts the	3,269,000	1.14%							



Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominees		The name and relationship with any one who is a related party or a relative within the second degree of kinship among the ten largest shareholders,		Remarks
Van Garde Group Emerging Markets Fund									
Yang-Jin Huang	3,007,000	1.05%							
Chase hosts the Advanced Starlight Advanced Total International Equity Index.	2,897,717	1.01%	-	-	-	-	-	-	

IX. Shares held by the Company, its Directors, Supervisors, managers, and businesses directly or indirectly controlled by the Company as a spin-off, and the percentage of consolidated shares held:

Unit: Shares; %

Spinoff Company	Investment by the Company		Investment by Directors/Supervisors/managers and by companies directly or indirectly controlled by the Company		Total Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Elite Semiconductor Memory Technology Inc.	100,000	100.00%	—	—	100,000	100.00%
Chang Feng Investment Ltd.	50,000,000	100.00%	—	—	50,000,000	100.00%
3R Semiconductor Technogy INC.	—	—	10,000,000	100.00%	10,000,000	100.00%
Elite Silicon Technology Inc.	—	—	7,448,960	98.01%	7,448,960	98.01%
Jie Yong Investment Ltd.	3,600,000	41.86%	2,900,000	33.72%	6,500,000	75.58%
Elite Investment Services Ltd.	15	100.00%	—	—	15	100.00%
Elite Innovation Japan Ltd.	—	—	200	100.00%	200	100.00%
Eon Silicon Solution Inc.USA	200,000	100.00%	—	—	200,000	100.00%
Elite Semiconductor Memory Technology (Shenzhen) Inc.	—	—	—	100.00%	—	100.00%
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	—	—	—	100.00%	—	100.00%
CHI Microelectronics Limited.	—	—	10,000	100.00%	10,000	100.00%
HHHtech CO., Ltd.	—	—	1,500,000	75.00%	1,500,000	75.00%

Note: This document is dated March 31, 2021.

## Capital Overview

### I. Capital and Shares

#### (I) Sources of Capital

Year and Month	Price at Issuance	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Sources of Capital	Increase of Capital by Assets Other Than Cash	Others
1998.5	10	30,000	300,000	10,540	105,400	Capital Shares at Founding	Technical Value NT\$ 10,540 thousand	Note 1
1999.4	10	30,000	300,000	28,571	285,715	Increase of Capital in Cash NT\$ 162,284 thousand	Technical value NT\$ 18,031 thousand	Note 2
1999.7	10	30,000	300,000	30,000	300,000	Recapitalization of Retained Earnings NT\$ 14,285 thousand	Nil	Note 3
2000.9	10	100,000	1,000,000	55,453	554,530	Recapitalization of Retained Earnings NT\$ 254,530 thousand	Nil	Note 4
2001.9	10	100,000	1,000,000	100,000	1,000,000	Recapitalization of Retained Earnings NT\$ 445,470 thousand	Nil	Note 5
2002.9	10	150,000	1,500,000	137,500	1,375,000	Recapitalization of Retained Earnings NT\$ 375,000 thousand	Nil	Note 6
2003.9	10	180,000	1,800,000	158,125	1,581,250	Recapitalization of Retained Earnings NT\$ 206,250 thousand	Nil	Note 7
2004.9	10	210,000	2,100,000	177,891	1,778,906	Recapitalization of Retained Earnings NT\$ 197,656 thousand	Nil	Note 8
2005.9	10	260,000	2,600,000	204,574	2,045,742	Recapitalization of Retained Earnings NT\$ 266,836 thousand	Nil	Note 9
2006.2	10	260,000	2,600,000	207,833	2,078,325	Increase of Capital by Merger NT\$32,583 thousand	Nil	Note 10
2006.9	10	260,000	2,600,000	216,665	2,166,654	Recapitalization of Retained Earnings NT\$ 88,329 thousand	Nil	Note 11
2007.9	10	260,000	2,600,000	227,365	2,273,654	Recapitalization of Retained Earnings NT\$ 107,000 thousand	Nil	Note 12
2008.9	10	260,000	2,600,000	239,007	2,390,071	Recapitalization of Retained Earnings NT\$ 116,417 thousand	Nil	Note 13
2008.11	17.65	260,000	2,600,000	241,532	2,415,321	Exercising of Employee Stock Options of NT\$ 25,250 thousand	Nil	Note 14
2009.4	17.65	260,000	2,600,000	241,995	2,419,951	Exercising of Employee Stock Options of NT\$ 4,630 thousand	Nil	Note 15

Year and Month	Price at Issuance	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Sources of Capital	Increase of Capital by Assets Other Than Cash	Others
2009.5	17.65	260,000	2,600,000	242,251	2,422,519	Exercising of employee stock options of NT\$ 2,568 thousand	Nil	Note 16
2009.9	17.65	260,000	2,600,000	242,340	2,423,404	Exercising of Employee Stock Options of NT\$ 885 thousand	Nil	Note 17
2010.1	16.65	260,000	2,600,000	244,310	2,443,101	Exercising of Employee Stock Options of NT\$ 19,697 thousand	Nil	Note 18
2010.4	16.65	260,000	2,600,000	244,683	2,446,834	Exercising of Employee Stock Options of NT\$ 3,733 thousand	Nil	Note 19
2010.5	16.65	300,000	3,000,000	245,422	2,454,221	Exercising of Employee Stock Options of NT\$ 7,387 thousand	Nil	Note 20
2010.7	16.65	300,000	3,000,000	245,874	2,458,749	Exercising of Employee Stock Options of NT\$ 4,528 thousand	Nil	Note 21
2011.1	15.65	300,000	3,000,000	246,035	2,460,351	Exercising of Employee Stock Options of NT\$ 1,602 thousand	Nil	Note 22
2011.4	15.65	300,000	3,000,000	246,224	2,462,246	Exercising of Employee Stock Options of NT\$ 1,895 thousand	Nil	Note 23
2011.7	15.65	300,000	3,000,000	246,291	2,462,911	Exercising of Employee Stock Options of NT\$ 665 thousand	Nil	Note 24
2011.11	14.7 10	350,000	3,500,000	259,777	2,597,774	Exercising of Employee Stock Options of NT\$ 1,638 thousand and stock swap of NT\$ 133,225 thousand	Nil	Note 25
2012.4	14.7	350,000	3,500,000	260,522	2,605,229	Exercising of Employee Stock Options of NT\$ 7,455 thousand	Nil	Note 26
2012.7	14.7	350,000	3,500,000	260,741	2,607,414	Exercising of Employee Stock Options of NT\$ 2,185 thousand	Nil	Note 27
2012.7	-	350,000	3,500,000	266,741	2,667,414	Issuance of New Restricted Employee Shares Amounted NT\$ 60,000 thousand	Nil	Note 28
2013.1	14.2	350,000	3,500,000	267,175	2,671,749	Exercising of Employee Stock Options of NT\$ 5,285 thousand Cancellation of restricted employee shares of NT\$ 950 thousand	Nil	Note 29
2013.6	-	350,000	3,500,000	266,980	2,669,799	Cancellation of Restricted Employee Shares NT\$ 1,950 thousand	Nil	Note 30
2013.11	-	350,000	3,500,000	266,873	2,668,729	Cancellation of Restricted Employee Shares NT\$ 1,070 thousand	Nil	Note 31

Year and Month	Price at Issuance	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Sources of Capital	Increase of Capital by Assets Other Than Cash	Others
2014.5	-	350,000	3,500,000	266,782	2,667,819	Cancellation of Restricted Employee Shares NT\$ 910 thousand	Nil	Note 32
2014.11	24.3	350,000	3,500,000	271,454	2,714,544	Cancellation of Restricted Employee Shares NT\$ 600 thousand Exercising of Employee Stock Options of NT\$ 47,325 thousand	Nil	Note 33
2015.4	24.3	350,000	3,500,000	272,424	2,724,241	Cancellation of Restricted Employee Shares NT\$ 140 thousand Exercising of Employee Stock Options of NT\$ 9,837 thousand	Nil	Note 34
2015.10	22.8	350,000	3,500,000	272,514	2,725,144	Exercising of Employee Stock Options of NT\$ 903 thousand	Nil	Note 35
2016.1	22.8	350,000	3,500,000	272,834	2,728,344	Exercising of Employee Stock Options of NT\$ 3,200 thousand	Nil	Note 36
2016.4	22.8	350,000	3,500,000	273,103	2,731,026	Exercising of Employee Stock Options of NT\$ 2,682 thousand	Nil	Note 37
2016.8	22.8	350,000	3,500,000	281,518	2,815,177	Exercising of Employee Stock Options of NT\$ 1,415 thousand Stock Issued Pursuant to Acquisitions NT\$ 82,736 thousand	Nil	Note 38
2016.10	21.8	350,000	3,500,000	281,924	2,819,239	Exercising of Employee Stock Options of NT\$ 4,062 thousand	Nil	Note 39
2017.1	21.8	350,000	3,500,000	282,574	2,825,737	Exercising of Employee Stock Options of NT\$ 6,498 thousand	Nil	Note 40
2017.4	21.8	350,000	3,500,000	283,281	2,832,814	Exercising of Employee Stock Options of NT\$ 7,077 thousand	Nil	Note 41
2017.7	20.9	350,000	3,500,000	284,025	2,840,252	Exercising of Employee Stock Options of NT\$ 7,438 thousand	Nil	Note 42
2017.10	20.9	350,000	3,500,000	284,699	2,846,992	Exercising of Employee Stock Options of NT\$ 6,740 thousand	Nil	Note 43
2018.1	20.9	350,000	3,500,000	285,759	2,857,589	Exercising of Employee Stock Options of NT\$ 10,597 thousand	Nil	Note 44
2021.1	57.6	350,000	3,500,000	286,099	2,860,999	Exercising of Employee Stock Options of NT\$ 3,409 thousand	Nil	Note 45

Year and Month	Price at Issuance	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Number of Shares (Thousand Shares)	Value (NT\$ 1,000)	Sources of Capital	Increase of Capital by Assets Other Than Cash	Others
2021.5	57.6	350,000	3,500,000	286,129	2,861,295	Exercising of Employee Stock Options of NT\$ 297 thousand	Nil	Note 46

		Approval Date and Number by FSC Securities and Futures Bureau	Approval Date and Number by Science Park Bureau
Note 1	Established in May 1998	—	(1998) Park Commercial No. 013135 on June 2, 1998
Note 2	Increase of Capital in April 1999	—	(1999) Park Commercial No. 007633 on April 19, 1999
Note 3	Increase of Capital in July 1999	—	(1999) Park Commercial No. 014586 on July 6, 1999
Note 4	Increase of Capital in September 2000	Taiwan Financial Securities (1) No. 31221 on April 21, 2000	Park Commercial No. 019842 on September 15, 2000
Note 5	Increase of Capital in September 2001	(2001) Taiwan Financial Securities (1) No. 144603 on July 10, 2001	(2001) Park Commercial No. 023715 on September 20, 2001
Note 6	Increase of Capital in September 2002	Taiwan Financial Securities (1) No. 0910139350 on July 16, 2002	Park Commercial No. 0910022134 on September 18, 2002
Note 7	Increase of Capital in September 2003	Taiwan Financial Securities (1) No. 0920129883 on July 4, 2003	Park Commercial No. 0920025611 on September 10, 2003
Note 8	Increase of Capital in September 2004	Financial Supervisory Securities (1) No. 0930132757 on July 22, 2004	Park Commercial No. 0930025291 on September 20, 2004
Note 9	Increase of Capital in September 2005	Financial Supervisory Securities (1) No. 0940129095 on July 20, 2005	Park Commercial No. 0940024896 on September 19, 2005
Note 10	Increase of Capital in February 2006	Financial Supervisory Securities (1) No. 0940147723 on November 1, 2005	Park Commercial No. 0950002485 on February 3, 2006
Note 11	Increase of Capital in September 2006	Financial Supervisory Securities (1) No. 0950131360 on July 19, 2006	Park Commercial No. 0950024568 on September 21, 2006
Note 12	Increase of Capital in September 2007	Financial Supervisory Securities (1) No. 0960036695 on July 16, 2007	Park Commercial No. 0960024944 on September 19, 2007
Note 13	Increase of Capital in September 2008	Financial Supervisory Securities (1) No. 0970035546 on July 15, 2008	Park Commercial No. 0970026074 on September 22, 2008
Note 14	Increase of Capital in November 2008	Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0970032595 on November 21, 2008
Note 15	Increase of Capital in April 2009	Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0980009444 on April 14, 2009

	Approval Date and Number by FSC Securities and Futures Bureau	Approval Date and Number by Science Park Bureau
Note 16	Increase of Capital in May 2009 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0980012992 on May 13, 2009
Note 17	Increase of Capital in September 2009 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0980025248 on September 10, 2009
Note 18	Increase of Capital in September 2010 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0990002583 on January 28, 2010
Note 19	Increase of Capital in April 2010 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0990009166 on April 13, 2010
Note 20	Increase of Capital in May 2010 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0990013413 on May 13, 2010
Note 21	Increase of Capital in July 2010 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 0990018991 on July 7, 2010
Note 22	Increase of Capital in January 2011 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 1000001111 on January 13, 2011
Note 23	Increase of Capital in April 2011 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 1000009811 on April 15, 2011
Note 24	Increase of Capital in July 2011 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No.1000019060 on July 6, 2011
Note 25	Increase of Capital in November 2011 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 Financial Supervisory Securities Issued No. 1000047861 on October 13, 2011	Park Commercial No. 1000035125 on November 28, 2011
Note 26	Increase of Capital in April 2012 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 1010009398 on April 3, 2012
Note 27	Increase of Capital in June 2012 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No.1010020247 on July 9, 2012
Note 28	Increase of Capital in October 2012 Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012	Park Commercial No. 1010031715 on October 15, 2012
Note 29	Increase of Capital in January 2013 Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006	Park Commercial No. 1020000199 on January 7, 2013
Note 30	Decrease in Capital in June 2013 Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012	Park Commercial No. 1020018681 on June 28, 2013
Note 31	Decrease in Capital in November 2013 Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012	Park Commercial No. 1020036135 on November 27, 2013
Note 32	Decrease in Capital in May 2014 Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012	Hsinchu Commercial No. 1030015402 on May 29, 2014
Note 33	Increase of Capital in November 2014 Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1030034996 on November 28, 2014

		Approval Date and Number by FSC Securities and Futures Bureau	Approval Date and Number by Science Park Bureau
Note 34	Increase and Decrease of Capital in April 2015	Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012 Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1040010347 on April 17, 2015
Note 35	Increase of Capital in October 2015	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1040029657 on October 15, 2015
Note 36	Increase of Capital in January 2016	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1050001500 on January 19, 2016
Note 37	Increase of Capital in April, 2016	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1050009686 on April 13, 2016
Note 38	Increase of Capital in August 2016	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1050021881 on August 5, 2016
Note 39	Increase of Capital in October 2016	Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1050028662 on October 18, 2016
Note 40	Increase of Capital in January 2017	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 060001396 on January 19, 2017
Note 41	Increase of Capital in April 2017	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1060009648 on April 14, 2017
Note 42	Increase of Capital in July 2017	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1060019320 on July 18, 2017
Note 43	Increase of Capital in October 2017	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1060028218 on October 16, 2017
Note 44	Increase of Capital in January 2018	Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012	Hsinchu Commercial No. 1070002487 on January 16, 2018
Note 45	Increase of Capital in April 2021	Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016	Hsinchu Commercial No. 1100010380 on April 15, 2021
Note 46	Increase of Capital in May 2021	Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016	Change registration has not yet been made as of the date of publication.

## (II) Category of Shares

Shareholding record date: April 18, 2021; Unit: Shares

Category of Shares	Authorized Capital			Remarks
	Outstanding	Unissued shares	Total	
Registered Common	286,129,503	63,870,497	350,000,000	Listed on March 4, 2002

Note: shares of a listed company (Includes 29,607 shares that have not yet been registered for change).

## (III) Shareholder Structure

Record date: April 18, 2021

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Foreign Natural Persons	Total
Quantity						
Number of	2	40	173	47,982	183	48,380
Number of Shares	876,000	13,226,139	32,616,010	199,961,056	39,450,298	286,129,503
Shareholding	0.30%	4.62%	11.40%	69.89%	13.79%	100.00%

Note: Percentage of shareholding from China: None.

## (IV) Distribution of Equities (nominal value of NT\$ 10 per share)

## 1. Ordinary Shares:

Record Date: April 18, 2021

Range of Shareholding	Number of Shareholders	Number of Shares Held	Number of Shares Held
1 to 999	17,884	1,254,676	0.44
1,000 to 5,000	26,199	45,571,715	15.93
5,001 to 10,000	2,224	17,869,611	6.25
10,001 to 15,000	603	7,762,514	2.71
15,001 to 20,000	362	6,772,637	2.37
20,001 to 30,000	328	8,425,523	2.95
30,001 to 40,000	154	5,626,654	1.97
40,001 to 50,000	125	5,842,765	2.04
50,001 to 100,000	204	14,642,955	5.12
100,001 to 200,000	128	17,765,770	6.21
200,001 to 400,000	72	20,058,140	7.01
400,001 to 600,000	25	12,347,868	4.31
600,001 to 800,000	26	18,206,762	6.36
800,001 to 1,000,000	11	9,564,835	3.34
1,000,001 or more	35	94,417,078	32.99
Total	48,380	286,129,503	100.00

## 2. Preferred Shares: None.



## (V)List of Major Shareholders:

Record date: April 18, 2021

Shareholding Shareholder's Name	Number of Shares Held	Percentage (%)
Jie Yong Investment Ltd.	14,154,000	4.95%
Hsing-Hai Chen	8,411,629	2.94%
Ming-Chien Chang	5,523,825	1.93%
British Virgin Islands merchant KAHOW LTD.	5,222,985	1.83%
Shun Cheng Investment Co., Ltd.	4,807,941	1.68%
Chang Wah Electromaterials Inc.	4,350,000	1.52%
J.P. Morgan Is A Special Account Of JP Morgan Securities Co., Ltd.	3,509,359	1.23%
Chase hosts the Van Garde Group Emerging Markets Fund	3,269,000	1.14%
Yang-Jin Huang	3,007,000	1.05%
Chase hosts the Advanced Starlight Advanced Total International Equity Index.	2,897,717	1.01%

## (VI)Per Share Market Price, Net Book Value, Earnings and Dividends and Related Information over the Past Two Financial Years

Unit: NT\$

Item	Year	2019	2020	As at March 31. 2021	
Market Price Per Share	Highest	40.40	66.70	108.00	
	Lowest	28.75	23.70	57.20	
	Average	32.44	40.00	79.52	
Net Book Value Per Share	Before Distribution	26.11	28.92	31.18	
	After Distribution	25.11	(Note 1)	N/A	
Earnings Per Share	Weighted Average Number of Shares (thousand shares)		280,133	279,909	279,897
	Earnings Per Share	Before Adjustment	1.78	3.85	2.30
		After Adjustment	1.78	(Note 1)	N/A
Dividends Per Share	Cash Dividends		1.00	(Note 1)	N/A
	Free Allotment	Dividends from Retained Earnings	—	(Note 1)	N/A
		Dividends from Capital Reserves	—	(Note 1)	N/A
	Cumulative Unpaid Dividends		—	—	—
Investment Return Analysis	Price-Earnings Ratio (Note 2)		18.22	10.39	34.57
	Price-Dividend ratio (Note 3)		32.44	(Note 1)	N/A
	Cash Dividend Yield % (Note 4)		3.08	(Note 1)	N/A

Note 1: Verdict after the resolution of the Annual Shareholders' Meeting.

Note 2: Price-Earnings ratio = Average per share closing price of the year/earnings per share.

Note 3: Price-Dividend ratio = Average closing price per share of the year/cash dividends per share

Note 4: Cash dividend yield %= cash dividend per share/current year average per share closing price.

(VII) Dividend Policy and Implementation Status

(1) Dividend policy as set out in the Articles of Association:

The Company's industrial life cycle is still in the growth stage. More than 5% of the total dividend distribution of shareholders is planned to be distributed in cash, and the rest will be distributed in the form of shares.

(2) The Company's Board of Directors' plan for reserve distribution and capital reserve allocation for FY2020 is as follows:

1. The surplus distribution of cash dividend of NT\$2,000 per thousand shares (rounded off to the nearest dollar), as approved in the 2021 Annual Shareholders' Meeting, authorizes the Chairman of the Board to set a separate ex-dividend date, payment date, and other related matters.

2. Where the dividend distribution rate of NT\$2.0 per share is maintained in the proposed appropriation of earnings, if, prior to the ex-dividend date, the number of outstanding shares is affected by any amendment by the competent authorities or by any change in the Company's share capital, such as the conversion of employee stock warrants into common shares, which subsequently results in a change in the earnings distribution, it is intended that the shareholders will authorize the Chairperson of the Board of Directors to exercise his or her full authority to deal with such changes.

(3) Any expected material changes to the dividend policy shall be further explained:

The Company's dividend policy shall consider the company's current and future investment environment, capital requirement, domestic and foreign competition conditions, and capital budgets, in order to safeguard the shareholders' interests, maintain a balanced between dividend payouts and long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan and report it to the Shareholders' Meeting. If there is a surplus in the Company's annual accounting, the Company shall, in the following order, pay taxes and make up losses, set aside 10% of the statutory surplus reserve and if necessary, allocate a special surplus reserves. At least 20% of the financial year's profits shall be distributed as dividends and bonus after allocating a reasonable amount according to the needs of business operations.

(VIII) The impact on the Company's business performance and Earnings Per Share (EPS) for allotment of free shares proposed at the shareholder's meeting: N/A

(According to the regulations of Financial Supervisory Securities (6) No. 0930005938 "Regulations Governing the Publication of Financial Forecasts of Public Companies" by the Financial Supervisory Commission on December 9, 2004, the Company does not need to disclose the financial forecast information for 2021)

(IX) Employees' Compensation and Directors' and Supervisors' Remuneration

1. Quantity or scope of compensation for employees, Directors, and Supervisors as prescribed under the Articles of Incorporation:

Article 24-1 of the Company's Articles of Association stipulates that the Company shall allocate no more than five percent (5%) of its annual profits for compensations to the Directors and no less than one percent (1%) for compensations to the employees. However, the Company shall set aside a sufficient amount to offset its accumulated losses. The compensation shall be distributed, in shares or in cash, to the employees of the Company or the qualified employees of the affiliated companies.

The profit for the year referred in the first clause is referred to the Profit Before Tax for the year, before deducting employees' compensation, and remuneration to Directors and Supervisors.

2. The basis for estimating the amount of compensation and remuneration to the employees, Directors, and Supervisors in the current period shall be the basis for calculating of the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

The basis for estimating the employees' compensation and the Directors' and Supervisors' remuneration during the current period is detailed in the aforementioned "1. Statement". When the actual number of employees' compensation and the Directors' and Supervisors' remuneration is different from the estimated amount, this shall be an accounting estimates changes and will be adjusted in the profit and loss for the following year.

3. Information of the proposed employees' comentation approved by the Board of Directors:

Remuneration to Directors and Supervisors	
Cash (NT\$)	13,224,899
Employees' Compensation	
Cash (NT\$)	66,124,493
Proposed distribution of employee shares compensation	
Amount	—
The ratio of the total Net Profit After Tax and otal employees' compensation for the current period	—
Estimated Earnings Per Share after proposed allotment of employee remuneration and Directors' and Supervisors' remuneration:	(NTD) 3.85

4. Distribution of employee bonus and Directors' and Supervisors' remuneration from the earnings of 2018:

Unit:NT\$1,000

	2019		Discrepancies	Reason
	Actual distributed amount as resolved in the Shareholders' Meeting	Proposed distribution by the Board of Directors		
I. Distribution				
1. Employees' Cash Compensation (NT\$ thousand)	29,970	29,970	—	—
2. Employees' Shares Bonus				
(1) Amount	—	—	—	—
(2) Proportion of total Net Profit After Tax and total employees' compensation for the current period	—	—	—	—
3. Remuneration for Directors and Supervisors (NT\$ thousand)	5,994	5,994	—	—
II. Relevant information on Earnings per Share:				
1. Original Earnings Per Share (Note 1)	NT\$1.78	NT\$1.78	—	—
2. Calculation of Earnings Per Share (Note 2)	NT\$1.78	NT\$1.78	—	—

Note 1: The calculation was not adjusted according to the ratio of earning reserves and employee compensation to the increase of capital in 2020.

Note 2: The calculation of Earnings Per Share = (Net Profit - employees' compensation - Directors' and Supervisors' remuneration) / (weighted average number of shares outstanding in the current year)

(X) Shares Buyback: None.

II. The issuance of corporate bonds, preferred shares, overseas depository receipts, employee stock options, and mergers and acquisitions (including mergers, acquisitions, and divestment) and implementation of funds utilization plans.

(I) Issuance of corporate bonds: None.

(II) Issuance of preferred shares: None.

(III) Issuance of overseas depository receipts: None.

(IV) Issuance of employee stock options:

## 1. Issuance of employee stock options

As at March 31, 2021  
Unit:Share,%,NT\$

Category of employee stock options	The Company received the employee stock options of the original Eon Silicon Solution Inc. due to the merger
Declaration Effective Date	May 4, 2016
Date of Issuance (Placem ent)	May 4, 2016
Number of Options Issued	1,175,443
Ratio of subscribable shares to total issued and outstanding shares	0.41%
Duration of Subscription	Duration till August 18, 2023
Method for Exercising the Options	Issuance of New Shares
Restrictions on the Option Exercise Period and Exercise Ratio (%)	Expiration of 2 years: 50% Expiration of 3 years: 75% Expiration of 42 years: 100%
Shares Exercised	340,971
Total Value of Shares Subcribed by Exercising Option	19,639,930
Number of Shares Unsubscribed	71,174
Subscription Price Per Share of the Unsubscribed Shares	NT\$ 57.60
Ratio of the Amount of Unsubscribed Options to the Total Number of Issued Shares	0.02%
Impact to Shareholders' Equity	Limited impact of dilution to the existing ordinary shareholders' equity

2. Restriction on employees' right to subscribe new shares: None.

3.The names of the managers and top ten employees who obtained the employee stock option certificates, and the status acquisition and subscription:

As at March 31, 2021  
Unit:Share,%,NT\$

	Title	Name	Shares Option	Ratio of subscribable shares to total issued and Shares Option	Shares Exercised				Unsubscribed Share			
					Shares Exercised	Subscrip tion Price Per Share of the Shares Exercis ed	Total Value of Shares Subcribed by Exercising Option	Ratio of subscribable shares to total issued and Shares Exercised	Numbe r of Shares Unsubs cribed	Subscrip tion Price Per Share of the Unsubs cribed Shares	Total Value of Shares Unsubscribed	Ratio of subscribable shares to total issued and Number of Shares Unsubscribed
Mana ge	NA											
Staff	Technical Associate	Cheng, Po Yuan	282,346	0.09868%	225,289	57.6	12,976,646	0.07874%	57,057	57.6	3,286,483	0.01994%
	Technical Associate	Wu Shuqi										
	Senior Chief Engineer	Huang Shim in										
	Senior Chief Engineer	Tong Ziy un										
	Technical manager	Li Kuiwang										
	Technical Associate	Jiang Lanqing										
	Technical Associate	Liu Guanhui										
	Senior Account Manager	Xu Zijie										
	Technical Associate	Huang Jiancheng										
	Technical manager	Chen Boling										

4. The names of the managers and top ten employees who obtained the new restricted employees' right shares, and the acquisition status: None.

(V) Mergers, acquisitions or issuance of new shares to acquire shares of other companies: None.

(VI) Implementation of capital utilization plan: Up to the quarter preceding the date of publication of the Annual Report, the Company has no incomplete issuance or placement of private securities or completed placement where the benefits of the plan have yet to be realized in the past three years.

# Business Operations Overview

## I. Business Activities

### (I) Business Scope

The Company is a professional integrated circuit (IC) design company, the main business is research, development, manufacturing, and sales of DRAM, Flash Memory, analog integrated circuit, analog and digital mixed-signal IC and product design related to the Company's business and R & D technical services. The IC revenue in 2020 was NT\$15,267,139 thousand, accounted for 100% of the operating ratio.

With the increasingly enhanced functions of terminal electronic products, the easier operation interface and the humanized application interface and functions designed by its application software, such as artificial intelligence (AI), the imminent fifth generation mobile communication generation (5G) and entering of the commercial stage, due to the characteristics of faster transmission, high-frequency bandwidth, high density and low latency, it is conducive to the development of services such as big data, artificial intelligence, and the Internet of Things, which can drive value-added innovative applications such as high-quality audio-visual entertainment, smart medical, smart factories, self-driving cars, drones, and smart cities, as well as various emerging application fields to make memory ICs a key component of electronic products. The relative capacity, operating speed and low power consumption requirements are also becoming stricter. In addition to continuing to focus on the development of high-density, high-speed and low-power memory ICs, the company will also speed up the development of flash memory, analog, analog and digital mixed-signal ICs in response to industry development and market demand. The product line enhances product competitiveness and develops towards product diversification.

### (II) Industry Overview

#### 1. Current situation and development of the industry

The TSIA (Taiwan Semiconductor Industry Association) pointed out today that according to WSTS statistics, the global semiconductor market sales in Q4 2020 were US\$118.9 billion, an increase of 4.7% from the previous quarter and 9.6% from the same period in 2019. The sales volume reached US\$262.0 billion, an increase of 5.2% from the previous quarter and 10.5% from the same period in 2019. The ASP was US\$0.454, a decrease of 0.4% from the previous quarter and 0.8% from the same period in 2019.

The global semiconductor market reported total annual sales of US\$440.4 billion in 2020, an increase of 6.8% from 2019. The total sales reached US\$953.7 billion in 2019, an increase of 2.3% from 2019, whereas the ASP recorded US\$0.462 in 2020, an increase of 4.4% from 2019.

In the fourth quarter of 2020, sales in the U.S. semiconductor market reached \$26.3 billion, an increase of 9.3% from the previous quarter and 16.4% from the same period in 2019. Sales in Japan's semiconductor market reached US\$9.9 billion, an increase of 8.0% from the previous quarter and 8.4% from the same period in 2019. Sales in Europe's semiconductor market reached US\$10.2 billion, an increase of 11.7% from the previous quarter and 5.5% from the same period in 2019. China market reached US\$39.8 billion, a 1.5% decline from the previous quarter and a 4.0% increase from the same period in 2019. Asia Pacific semiconductor market sales reached US\$32.6 billion, an increase of 6.3% from the previous quarter and 13.3% from the same period in 2019.

As regards total annual sales in 2020, the U.S. semiconductor market reached US\$95.4 billion, an increase of 21.3% from 2019. Japan's semiconductor market reached US\$36.5 billion, an increase of 1.3% from 2019. Europe's semiconductor market recorded US\$37.5 billion, a decrease of 5.8% from 2019. Mainland China market reached US\$151.5 billion, an

increase of 4.8% from 2019. Asia Pacific semiconductor market reached US\$119.5 billion, an increase of 5.4% from 2019. The global semiconductor annual sales totaled US\$440.4 billion in 2020, an increase of 6.8% from 2019.

According to statistics from the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (ITRI), Taiwan's IC industry output (including IC design, IC manufacturing, IC packaging, and IC testing) reached NT\$881.7 billion (US\$29.8 billion) in the fourth quarter of 2020, an increase of 1.7% from the previous quarter and 16.9% from the same period in 2019.

Specifically, the IC design output was NT\$247.0 billion (US\$8.3 billion), up 1.4% from the previous quarter and 30.6% from the same period in 2019; the IC manufacturing output was NT\$493.2 billion (US\$16.7 billion), up 2.6% from the previous quarter and 15.7% from the same period in 2019, of which the foundry industry was NT\$436.9 billion (US\$14.8 billion), up 1.3% from the previous quarter and 13.5% from the same period in 2019. The output of memory and other products was NT\$56.3 billion (US\$1.9 billion), up 14.7% from the previous quarter and 36.7% from the same period in 2019.

The IC packaging output was NT\$98.0 billion (US\$3.3 billion), a 1.0% decrease from the previous quarter and a 1.6% increase from the same period in 2019; the IC testing output was NT\$43.5 billion (US\$1.5 billion), a 1.1% decrease from the previous quarter and a 2.4% increase from the same period in 2019. The exchange rate against the U.S. dollar is calculated at 29.6.

According to statistics from the Industry, Science and Technology International Strategy Center, ITRI, the output value of Taiwan's IC industry reached NT\$3,222.2 billion (US\$108.9 billion) in 2020, an increase of 20.9% from 2019. Specifically, the IC design reached NT\$852.9 billion (US\$28.8 billion), an increase of 23.1% from 2019.

The IC manufacturing accounted for NT\$1,820.3 billion (US\$61.5 billion), up 23.7% from 2019, including NT\$1,629.7 billion (US\$55.1 billion) for foundries, up 24.2% from 2019, and NT\$190.6 billion (US\$6.4 billion) for memory and other products, up 19.4% from 2019. The IC packaging accounted for NT\$377.5 billion (US\$12.8 billion), up 9.0% from 2019, while the IC testing accounted for NT\$171.5 billion (US\$5.8 billion), up 11.1% from 2019.

The statistical results of Taiwan's IC industry output value from 2017 to 2020

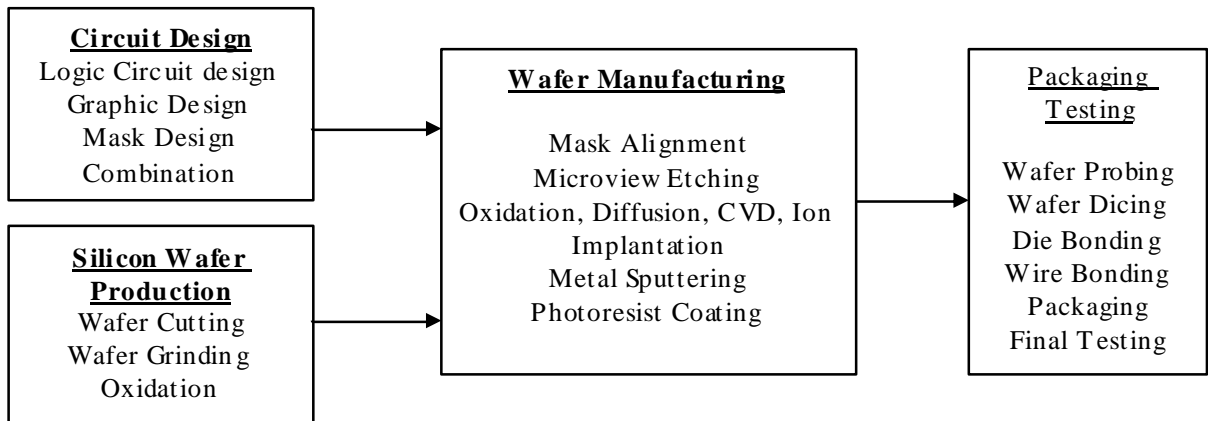
Unit: NT\$100million

	2017	2018	2019	Growth Rate in 2019	2020	Growth Rate in 2020
IC Industry Output Value	24,623	26,199	26,656	1.7%	32,222	20.9%
IC Design Industry	6,171	6,413	6,928	8.0%	8,529	23.1%
IC Manufacturing Industry	13,682	14,856	14,721	-0.9%	18,203	23.7%
Wafer Foundry	12,061	12,851	13,125	2.1%	16,297	24.2%
Manufacturing Own Products	1,621	2,005	1,596	20.4%	1,906	19.4%
IC Packaging Industry	3,330	3,445	3,463	0.5%	3,775	9.0%
IC Testing Industry	1,440	1,485	1,544	4.0%	1,715	11.1%
IC Product Output Value	7,792	8,418	8,524	1.3%	10,435	22.4%
Global Semiconductor Growth Rate	21.6%	13.7%	-	-12.1%	-	6.8%

Source: TSIA ITRI IEK (2021/02)



## 2. Semiconductor upstream, middle and downstream correlation diagram



The following describes the relative industrial characteristics of the abovementioned IC industry upstream, midstream and downstream, as follows:

### A. IC Design

IC design company is an integrated circuit product design company. Its main business is to design product sales or design directly entrusted by the customers. It is a brain-intensive industry, it requires much smaller capital than the wafer manufacturing plants. There is a fairly complete semiconductor industry support structure in Taiwan and IC design talents are increasingly abundant, which has prompted many manufacturers to invest in this industry.

### B. IC Manufacturing and Foundry

The main business of the IC manufacturing company is to convert the designed circuit into a chip with sophisticated equipment, complex manufacturing processes, and strict quality control. This industry is capital and technology-intensive, and the barriers to entry are quite high. At present, the cost of constructing a 12-inch wafer fab is about NT\$ 100 billion, and the subsequent maintenance and research and development costs must continue to be invested to maintain the effective operation of the IC fab.

### C. IC Packaging and Testing

However, the barriers to entry for this industry are much lower than those for wafer manufacturing, and its profit comes from the fixed revenue of processing. The key factors that affect its profitability are the equipment utilization rate and personnel costs. The IC design industry is an upstream industry in the industrial value chain. Before the final product is completed, the main processes of photomask, manufacturing, packaging, and testing are required. As far as industrial development trends are concerned, processes such as photomask, packaging, and testing are all directed towards the mode of commissioning production by external professional companies.

## 3. Product Development Trends and Competition

### A. High Degree of Integration

With the evolution of Windows operating system software and the continuous development of diversification of application software, DRAM products have been developed towards high degree of integration. The current mainstream market is 8 GB (DDR4) and 4 GB (DDR3).

### B. High Speed

DRAM and CPU have an apparent gap in data transmission speed for a long time, and it has become the bottleneck of PC's overall system performance. To solve

this problem, many high-speed DRAM architectures have been proposed, such as DDR3/DDR4 and RAMBUS. In order to adapt to the requirements of network communication products with different performances, such as switches and routers, SRAM (Zero Bus Turnaround SRAM) with high-frequency bandwidth and high-speed operation capability is also introduced due to the mixed reading and writing operations.

C. Low Power Consumption

With the continuous increase of CPU computing speed and the application of portable electronic products, characteristics such as low power consumption and low voltage are necessary to achieve power-saving or avoid the problem of overheating of components.

D. Reduced Crystallite Size

The continuous decline in the price of memory IC products is a characteristic of the industry. To maintain the competitive position and profitability of the products, with the design and process control, the output quantity of a single wafer is increased and the high quality rate is being maintained, only then could the Company effectively reduce product costs and enhance market competitiveness.

4. Product Competition

The Company's products are mainly based on niche memory. At present, the main domestic and foreign competitors are as follows:

Domestic Competitors	Foreign Competitors
Nan Ya Technology, Etron, Powerchip, Winbond	Samsung, Hynix, Micron

(III) Technology and R&D Overview

(1) Technical aspects of the business activities

The Company is a professional memory IC design company. It owns the core technology of memory IC design. The members of the R&D design team are well-versed in the design profession for many years and possess extensive practical experience. Since the Company can control the development and design technology of memory IC, it can adjust the product combination in time in response to market changes. Since its establishment, the Company has continued to develop memory ICs with high integration, high capacity, high speed and high performance by adhering to superb and outstanding design technology.

(2) Research and development

The Company's development and design of DRAM, Pseudo SRAM, NOR Flash, MCP, analog IC, and analog and digital mixed-signal IC are all focused on mastering "Time-to-Market". The future research and development is directed towards high-end process technology and high-integration product development.

(3) Education and experience of research and development personnel

The Company and its subsidiaries currently have a total of 310 R&D personnel, most of whom have a college degree or above and abundance of experience in R&D. With the pulse of the existing and future markets, they continue to develop new technologies and new products to continue to lead the industry and meet the market needs.

March 31, 2021

Item	Education		
	PhD	Master	University
Number of Persons	8	217	85
Percentage (%)	2.58%	70.00%	27.42%

(4) R&D expenses and technologies or products successfully developed in the most recent Financial Year:

A. R&D expense in the most recent financial year

Unit: NT\$ 1,000

Item \ Year	2020	Q1 2021
R&D Expenses	940,851	336,185
Growth Rate (%)	27.16%	-

B. Successfully developed technologies or products

1. The Company's DRAM product line has completed the development of 16 MB - 2 GB SDRAM, DDR / DDR2 / DDR3 and other products with 12" 38/45/50 / 60nm process technology. The 25nm process has been initially developed and new products will be designed for mass production.
2. In terms of Flash Memory, the development of 65nm low-capacity 4 MB / 8 MB / 16 MB / 32 MB have been developed, and entered mass production, high-capacity 64 MB and 128 MB have also been completed development and entered mass production with 65nm.
3. Integrated NAND Flash and LP DRAM product technologies and launched MCP products.
4. In terms of non-memory products, various power management and IC solutions for Class D/AB power amplifiers have been developed.

(IV) Long-term and Short-term Development Plans

1. Short-term development plans

(1) Marketing strategy

- A. Adopt marketing strategies based on product functions and cost-competitive advantages to provide customers with a stable supply.
- B. Strengthen the interactive relationship with agents and distributors, continue to penetrate the domestic market, and actively develop handheld devices, PC-related equipment, and information appliance manufacturers in overseas markets to access direct business opportunities.

- (2) Production strategies
- A. Improve the use of process technology to reduce production costs.
- B. Establish a good cooperative relationship with the wafer foundry and back-end packaging and testing outsourcers to ensure that production capacity, product delivery and quality can be achieved, and meet the demand for flexible scheduling.
- (3) Product development  
Use new generation process technology to develop mainstream products to reduce production costs and enhance product competitiveness.
- (4) Human resources  
Provide humane management and share operating profits with the employees to attract professional talents to join the management team and stabilize the Company's personnel flow, maintaining the Company's leading position in technology and operations.
2. Long-term plan
- (1) Marketing strategy  
Maintain revenue sources from proprietary products and design technical services that are functional/cost competitive to ensure the stability of profits.
- (2) Production strategies  
Ensure the production quality and cycle time of wafer foundry partners, including fabs, packaging and outsourced testing factories
- (3) Product development  
Continue to develop memory ICs with high integration, high speed, low power and small die size to increase product performance and enhance product competitiveness. Also, use the new generation process technology for the manufacturing of existing products to strengthen cost competitiveness. In addition, in response to industry development and market demand, the company will actively mass produce MCP, analog, analog and digital mixed-signal IC product lines, towards product diversification.

## II. Analysis of the market as well as production and marketing situation

### (I) Market analysis

#### (1) Sales of main products (services) by region

The Company's current product combination is mainly based on high-speed and high-integration DRAM/FLASH/analog IC and technical service income. The product sales regions in the past two years are as follows:

Units: Thousand NTD; %

Geo graphical Region		2019		2020		Q1 2021	
		Sales Value	Percent age	Sales Value	Percent age	Sales Value	Percent age
Internal sales		5,153,908	43	6,138,237	40	2,167,660	44
External sales	Asia	6,643,377	55	9,069,729	60	2,781,585	56
	Others	186,194	2	59,173	-	22,231	-
	Sub-total	6,829,571	57	9,128,902	60	2,803,816	56
Total		11,983,479	100	15,267,139	100	4,971,476	100

#### (2) Market share

The global overall memory market has shrunk significantly in 2020 compared with 2019, resulting in global market size of US\$ 65.2 billion. Based on the Company's 2020 revenue calculation, its share of the global market is approximately

0.82%.

(3) Future market demand and supply status and growth characteristics

The main factor affecting the price trend of DRAM products is the spread between supply and demand. In terms of supply, according to TrendForce's Semiconductor Research Division, after more than two quarters of inventory correction, buyers are expected to start raising inventory levels in 2021 in order to mitigate cost increases caused by expected subsequent price increases, which will result in price support. Overall, the average selling price of DRAM will stop falling and stabilize, and may even rise slightly.

According to TrendForce's Semiconductor Research Division, the DRAM segment, including PC DRAM (13% of total supply bits), Server DRAM (34% of total supply bits), Mobile DRAM (40% of total supply bits), Graphics DRAM (5% of total supply bits) and Consumer DRAM (8% of total supply bits), clearly has much healthier supply and demand dynamics than NAND Flash because of the overall oligopolistic market type. With inventory replenishment, prices will be supported in 2021. Specifically, PC DRAM prices will remain more or less flat due to the strong notebook shipments that have boosted stocking momentum. Moreover, impacted by capacity crowding and Micron's power outage, Server DRAM prices will shift from roughly flat to slightly higher. In terms of demand, DRAM application products can be divided into three categories: the first category is computers and relevant products, such as desktop computers, notebook computers, workstations, servers, printers, scanners, DVD-ROM, tablet computers and mining machines, etc.; the second category is network communication application products, mobile devices, ADSL, router (Switch/Router), Internet of Things, Internet of Vehicles, cloud data center, 5G communication and artificial intelligence (AI), etc.; the third category is consumer applications, such as DVD (Blu-ray) players, digital set-top boxes, digital cameras, iPod music players (MP3 Player), game consoles (PS4, XBOX, Wii), LCD (quantum Point) TV and smart voice assistant. On the demand side, in terms of PC demand, most of the PC OEM brand factories have benefited from this year's strong laptop shipments (20% annual growth), and the PC DRAM inventory level is only 4~5 weeks. Therefore, it is expected that in the short term, the intention of manufacturers to increase inventory will continue to boost demand momentum. In terms of supply, the overall bit supply of the three major DRAM manufacturers, Samsung, SK Hynix and Micron, has not risen significantly in the past two quarters. In addition, thanks to the forceful pull of mobile DRAM, all factories have been shifting their production capacity to this area since the end of Q3 systematically, resulting in the crowding of PC and server DRAM production capacity. In 2021, therefore, the average price of PC DRAM is not likely to fall as demand is supported and supply is not going up markedly.

(4) Competitive niche

A. Core competitiveness of design and R&D

The Company's design and development team has accumulated many years of practical experience, and can effectively control the performance and cycle time of product development, so as to fully access the market opportunities. This is proved by the Company's successful design and development of a variety of market-leading product lines.

B. Long-term procurement of outsourced foundry production capacity

Since the Company's business has grown steadily, it is able to give outsourcing foundries a stable order quantity. At the same time, through product design and technical services, it can still help the fab to use the new generation process to expand the product line and contribute to fab capacity utilization. The establishment of this cooperation model promotes a more stable cooperative relationship between the two parties, which can ensure that the Company's wafers are secured when the OEM production capacity is tight.

C. Competitiveness of cost structure

The Company's operating team, in addition to a strong R&D team, also includes professionals in processing, packaging, and testing. It can assist various professional OEM partners in process improvement and yield improvement, thus establishing an effective reduction of the production cycle and lower product production cost.

D. Good interaction with agency dealers

The R&D capabilities and cost competitiveness cultivated by the Company can launch the products in time as required by the market, and actively integrate with the logic chips represented by the distributors to form a complete turn-key solution to provide to system manufacturers. This will further enhance the value of products/services and establish a long-term and stable mutually beneficial relationship with well-known domestic and international distributors, which will greatly help the sales and promotion of the Company's products.

(5) Advantages, disadvantages and countermeasures of the development prospect:

Favorable factors

- A. With the global economic boom gradually recovering, the demand for technology products in emerging markets has become the main growth driver of the global technology industry. It is expected that the demand for technology products in emerging markets will continue to grow in 2021.
- B. The rapid development of smartphones, personal computers and workstations in emerging markets, coupled with the rise of multimedia product applications and the rise of the Internet (Internet of Things, Internet of Vehicles, Cloud Data Center, 5G, Artificial Intelligence (AI)). In the long-term, the demand for the memory IC market has shown steady growth.
- C. The market demand for products is extensive, including computer peripherals, communications and consumer products. In addition to personal computers/workstations, it is also widely used in multimedia and information appliances, such as digital cameras, high-end graphics cards, DVDs, TVs, mobile phones, printers, set-top-Box, MP3, game consoles, ADSL, routers, and routers, mining machines and smart voice assistants.
- D. The domestic semiconductor industry has a good development environment, and the industry's vertical division of labor system is perfect. The main raw material suppliers are located in the Hsinchu Science Park. The industry has a high degree of industry concentration, and it has great advantages in timeliness control and cost control.
- E. Strong R&D team, high-quality personnel and extensive experience. Able to lead the design of products with high integration, high speed and cost advantage.

Unfavorable factors and countermeasures

- A. Market products change rapidly, and product life cycle is shortened. IC products that meet market and customer needs need to be launched in time.

Countermeasures

Maintain excellent design and R&D capabilities, shorten product development time and production cycle to meet market demand.

B. There are many competitors in memory products and the price fluctuation is fierce.

Countermeasures

a. Actively develop niche products that meet market needs, develop new processes to reduce product costs, and increase the added value of products to enhance the overall competitiveness of products by establishing a good product quality image.

b. Expansion of non-memory product lines such as analog, analog and digital mixed signal integrated circuits, and the development of product diversification to diversify product concentration risks.

C. When the wafer fab's production capacity is insufficient, the increase in wafer prices will affect the profit margin

Countermeasures

Maintain long-term and stable cooperative relations with wafer foundry manufacturers.

D. Professionals are in short supply and high turnover

Countermeasures

Focus on the building professional image and the deep penetration of R&D technical ability in order to retain the required talents, and to further attract more professionals to join. At the same time, provide a good working environment, and to encourage employee's centripetal force towards the Company through dividends, employee stock options and a suitable and effective reward system design,

(II) Major uses and production process of the primary products

1. Usage of the main products

Products	Major products	Usage/functions	Product application
Dynamic Random Access Memory (DRAM)	SDRAM, PSRAM, Mobile SDRAM/DDR, DDR1/DDR2/DDR3/DDR4/ SDRAM Product line	Main memory components of various high-end personal computers and peripheral devices. The main function is data storage during system operation.	Consumer products: DVD-Player, Set-Top-Box, Digital Still Camera, Scanner, VGA Card, HDD and Printer Network products: Cable Modem, ADSL, 5G Products
		The memory element used in portable commodity equipment a low-power consumption feature.	Portable device such as mobile phone, PDA and HPC.
		The basic components of various high-end computer display memories. The main function is to store the data of each pixel on the fluorescent screen.	Graphics cards and multimedia video cards, flat panel TV (liquid crystal / plasma TV) and high-end Desktop/notebook PC, servers, workstations and computer peripherals, etc.

Products	Major products	Usage/functions	Product application
	NOR flash memory	It is a non-volatile memory element that can be read and written at high speed that can be used to write fixed boot programs in computers or electronic devices, called "Code Flash", or it can be used for wireless cell phone control and data access.	Desktop/notebook PC, server, workstation, and storage and use of boot programs for various computer equipment products; or used to write fixed boot programs for consumer electronic devices (such as DVD DVR, etc.), or it can be used for wireless cell phone control and data access.
	MCP products	Integrate memory ICs such as NAND Flash and LP DRAM for data access of handheld related product systems.	Used in mobile communication data card and other mobile communication related product systems.
	Audio processing IC (including Class D audio amplifier, A/D & D/A converter, Codec IC, etc.)	It is a mixed-signal IC product, which is the basic component of audio processing/output of various computers or electronic equipment, used for analog/digital conversion and signal amplification processing of various audio. Of that, the Class D audio amplifier has the feature of low-power consumption and high-amplification efficiency because it is a digital amplifier.	It is suitable for audio processing of various electronic products, including audio transmission and amplification output of PC/notebook, TV, mobile phone, MP3, car/home audio.
	Power management (Power IC)	It is an analog IC product, which is a key component of power management for various electronic equipment systems.	Suitable for various 3C equipment and optical component system power management applications.
	Technical service	Technical services for memory, power management and audio IC product design and development.	

## 2. Production Process

The Company's integrated circuit manufacturing process is mainly divided into the following stages:

**Development and design:** After determining product specifications, developing design components and selecting design criteria; designing the chip architecture and layout planning of various circuit items on the chip, and then planning circuit design and layout; making this layout file into a photomask .

**Wafer manufacturing:** Repetitive processes such as photolithography, etching, oxidation, and diffusion are used to design and manufacture the circuit on the photomask layer by layer on a silicon wafer.

**Packaging test:** The wafer needs to be tested by Probe Card to select the chip with normal function and meet the design requirements, and then to be packaged and shipped.

### (III) Supply of primary raw materials

The Company's main raw material is wafers, which are mainly supplied by well-known semiconductor companies at home and abroad. Good cooperative relationships are being maintained currently.

### (IV) Names of customers who have accounted for more than 10% of total purchases (sales) in



any of the most recent two financial years, their purchases and sales amounts and proportions, and reasons for changes:

1. Main sales customers

Unit: NT\$1,000

Item	2019				2021				Q1 2021			
	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer
1	A	2,724,676	23	Nil	A	3,430,386	22	Nil	A	1,340,641	27	Nil
2	Others	9,258,803	77		Others	11,836,753	78		Others	3,630,835	73	
	Total	11,983,479	100		Total	15,267,139	100		Total	4,971,476	100	

Reasons for Change:

The Company's products are mainly sold through agents, and Company A is the Company's main agent. Due to the increase in business volume in 2020, the revenue of Company A has increased compared with 2019.

2. Main Purchase Suppliers

Unit: NT\$1,000

Item	2019				2020				Q1 2021			
	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer	Name	Amount	Ratio to Net Revenue for the FY (%)	Relationship with the Issuer
1	A	5,196,477	59	Nil	A	7,787,121	59	Nil	A	1,587,163	50	Nil
3	B	1,010,349	11	Nil	B	1,413,681	11	Nil	B	461,146	14	Nil
4	Others	2,681,660	30		Others	3,898,378	30		Others	1,142,541	36	
	Total	8,888,486	100		Total	13,099,180	100		Total	3,190,850	100	

Reasons for Change:

The Company is a professional IC design company. The main cost structure in the production process is wafer raw materials and outsourced processing fees, while wafer selling prices and outsourced processing fees are closely linked to the semiconductor business cycle. In the semiconductor industry in 2020. Due to the slowdown in the global economic climate, the average unit price of wafers and outsourced processing fees have generally declined, however, the electronics industry grew against the trend, so the value and proportion of major purchasers in 2020 have changed compared with 2019.

(V) Production Volume Table for the last two FY

Unit: 1,000; NT\$1,000

Item	2019		2020	
	Production	Production	Production	Production
Integrated Circuit (IC)	996,647	5,427,047	2,353,898	7,674,993

Note: The Company's products are outsourced to external professional companies for processing, so no capacity is disclosed.

## (VI) Sales quantity and value for the last two FY

Unit: 1,000; NT\$1,000

Item	FY	2019				2020			
		Internal sales		External sales		Internal sales		External sales	
		Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Integrated Circuit (IC)		619,608	5,153,908	738,319	6,829,571	1,014,336	6,138,237	978,513	9,128,902
Total		619,608	5,153,908	738,319	6,829,571	1,014,336	6,138,237	978,513	9,128,902

## III. Employee information for the most recent two financial year up to the date of publication of the Annual Report

Year		2019	2020	Until March 31, 2021
No. of employees	Management Personnel	147	132	131
	R&D Technicians	353	373	379
	Operators	—	—	—
	Total	500	505	510
Average Age		40.65	41.20	41.33
Average Year of Service		8.37	9.30	9.07
Academic Distribution Ratio	PhD	2.0%	2.0%	2.0%
	Master	49.6%	51.9%	52.9%
	University	46.0%	44.0%	42.9%
	High school	2.4%	2.1%	2.2%
	Below high school	—	—	—

## IV. Disbursements for Environmental Protection

- (I) In the financial year 2020 up to March 31, 2021, there has been no penalty arising from environmental pollution or industrial safety incidents or any disciplinary authority.
- (II) Countermeasures for environmental protection and industrial safety in the future:  
The Company has always upheld the spirit of the ISO 14001 environmental management system and is committed to complying with international advanced environmental standards. It is committed to providing and maintaining a working environment that is compliant with laws and regulations and at the same time which is an industrial and practical working environment. The Company also continuously improves in its attempt to eliminate the risk of any predictable causes of environmental pollution. Through the preventive measures of process optimization, the Company will continue to improve in the

reduction of the emission of hydropower substances and pollutants, and strive to implement the concept of designing for the environment, and become a sustainably developed green enterprise. In order to implement the effectiveness of environmental management, the Company plans to establish the ISO 14001 environmental management system in 2007, and the verification and certificate were obtained in January 2008.

(III) Environmental protection policy and improvement plan

(1) Future quantitative management of energy saving and carbon reduction

After the Company introduced the ISO-14001 environmental management system and continued to implement a number of energy-saving and carbon reduction measures, it has achieved significant performance so far; based on the management principle of continuous improvement, the Company set relevant quantitative management goals for improvement, with a view to making further contributions to protecting the global environment, as explained below:

A. Quantitative management objectives for greenhouse gas reduction, water resources management and waste management:

1. Greenhouse gas reduction

The Company's quantitative management goals for greenhouse gas reduction are as follows: The per capita greenhouse gas emission decreases by 4% in 2025 compared with 2019.

2. Water resources management

In response to climate change, stable water supply has become a global issue. To fulfill its social responsibilities and respond to global water shortage issues, the company has set quantitative goals for water resources management as follows: By 2025, the overall per capita water consumption will be reduced by 2% compared with 2019, with a view to taking concrete actions to face the challenges of climate change with global corporates.

3. Waste reduction

The Company's goal of quantitative management of waste reduction: The personal output of waste in 2025 will be 2% lower than that in 2019.

B. Measures to achieve goals:

1. Greenhouse Gas Reduction

- Evaluation of public area lighting system to be replaced by LED lights
- The air-conditioning temperature of the office area is set at 26 ~ 28°C.
- Turn off non-essential lighting during meals and breaks.
- Promote a paperless policy and import electronic forms to reduce paper consumption.
- Use environmentally friendly tableware for dining and encourage employees to bring their own tableware to reduce the use of disposable tableware.
- Use green products and select equipment and appliances with energy-saving labels.
- Encourage employees to use stairs instead of elevators.

2. Water Resource Management

- Display water-saving slogans to develop the habit of saving water.
- Monitor water consumption and address any abnormalities immediately to avoid wasting water resources.
- Reduce the amount of environmental cleaning agents and reduce the amount of cleaning water.

3. Waste Management

- Implement a resource recycling classification mechanism.
- Promote employee waste reduction.

- Comply with the relevant provisions of environmental regulations and implement environmental policies.

(2) Climate change assessment and countermeasures

The United Nations Intergovernmental Panel on Climate Change (IPCC) pointed out that global warming will exceed 1.5°C in 2030 at the earliest. Climate change has become an issue that should be ignored.

ESMT is of the view that climate change is becoming more and more serious, and there is a high degree of correlation between product production and the supply chain of related industries. In order to continue to strengthen the Company's ability to respond to and combat climate change, the Company will disclose detailed environmental and climate-related measures in an appropriate manner, and disclose the risks and opportunities brought by the climate to the Company's operations with reference to the Task Force on Climate-related Financial Disclosures (TCFD). From the four major aspects of governance, strategy, risk management, and indicators and objectives, the Company will strengthen its governance of climate change in response to the expectations of external stakeholders about the Company's management of climate change.

	Risk Item	Description	Response measures
Climate related risks	Energy price increase	In response to the greenhouse gas reduction requirements, the pressure to increase energy prices and the efficiency of related equipment used has led to an increase in energy costs.	Promote workplace energy saving and carbon reduction measures
			Set annual power saving goals
	Stricter fuel/energy/environmental regulations	Increase in operating and manufacturing costs, related fines, litigation cases, and policy changes led to asset impairment	Continue to monitor and identify the impact of changes in regulations
			Communicate with industry association and participate in government regulations courses
			Strengthen awareness on laws and regulations and training
	Increase in frequency of extreme climate events	Extreme weather events will cause loss of property and equipment, and may even cause business interruption	Improve the recovery time of the operation-related support system and shorten the recovery time to normal business operation
			Implement a mechanism for handling major abnormal events
			Continuously supervise suppliers to carry out plans and drills for extreme climate events
			Assess and build backup equipment

Climate-related opportunities	Market transformation/technology development	Develop low-carbon products, encourage suppliers to use low-carbon technology processes, and increase access to relevant markets	Evaluation and development of low-carbon products and markets
			Encourage existing suppliers to use low-carbon technology processes, and prioritize suppliers using low-carbon technology processes

(IV) Information on the implementation of RoHS (Limiting Hazardous Substances in Electronic Motor Equipment) in the EU is as follows:

(1) The Company's management measures

1. Process changes are subject to EU RoHS and customer green production specifications.
2. Notify suppliers of environmentally friendly green production practices and request relevant supporting documentation.
3. Audit suppliers from time to time and coach them to establish a green supply chain.

(2) The Company's products comply with the RoHS specifications related to the restrictions on the use of hazardous substances, so does not affect the company's products market sales.

(V) Annual greenhouse gas emissions, water consumption and the total weight of waste in the past two years

In response to global climate change, the Company reduced and managed greenhouse gas emissions, implemented environmental justice, and fulfilled the responsibility to jointly protect the global environment. In addition, the Company actively responds to the Carbon Disclosure Project (CDP), and voluntarily disclosed its investigation in greenhouse gas emissions according to the World Business Sustainable Development Association (WBCSD) and the GHG Protocol issued by the Resource Research Institute (WRI). The results of the investigation are shown in the table below.

Table - Annual greenhouse gas emissions

Year	Greenhouse gas emissions (year)	Greenhouse gas emissions per capita	%
2019	3,191.78	7.69	
2020	3,336.88	7.87	4.54

Unit (CO2 equivalent)

Table - Water Consumption

Year	Water Consumption	Water consumption per capita (degrees)	%
2019	16,947	40.84	
2020	19,169	45.10	13.1

Unit (M3)

Table - Total waste

Year	Total Waste	Individual output	%
2019	10.76	25.93 kg	
2020	18	42.45 kg	67.29

Unit (Ton)

In 2020, the Company implemented necessary measures to prevent the spread of the COVID-19 pandemic, such as the disinfection of the environment, the enhancement of personal hygiene and the change of dining at the cafeteria to meal boxes in individual seats, and as a result, the Company was unable to achieve the originally planned environmental improvement objectives. It is expected that after the pandemic has subsided, the environmental performance will be improved again. Therefore, we do not anticipate any losses due to labor disputes at present or in the future.

## V. Labor Relations

(I) The systems and implementation status of the Company's employee welfare policies, continuing education, training, and retirement, as well as the agreements between the employees and employer, and employees' rights and interests:

(1) Employee welfare policy

The Company provides a friendly and supportive working environment, allowing employees to achieve balance and harmony between work, family and life.

Measures and benefits related to work-life balance: Work:

- a. Flexible working hours and two days off a week that allow employees to arrange working hours flexibly to take care of their family or health.
- b. Provide employees with annual leave better than the Labor Standards Act.
- c. Provide employees with festival and birthday giftcard and festival bonuses.
- d. Organize the year-end party and give senior colleagues awards and bonuses to encourage them.
- e. In addition to labor, health insurance and group insurance, the Company also provides travel insurance for employees on business trips.

1. Family:

- a. Friendly maternal protection measures including setting up breastfeeding rooms in the health center, and providing unlimited breastfeeding time.
- b. Arrange one-on-one consultation with on-site physicians for employees after pregnancy and childbirth.
- c. Provide various subsidies for employee birth and education.
- d. Assist in the evaluation of special nursery centers, kindergartens and provide health education information related to childcare.
- e. Handle parent-child communication and other related courses and lectures.
- f. Organize activities such as parent-child travel for employees and their families to provide opportunities for communication and interaction between parents and children.
- g. Provide group insurance for employees and their families, and provide professional on-site services and consultation.

2. Health: Staff assistance programs and health promotion activities provide employees with physical and mental health and safety

- a. Provide regular labor health checks that are better than that required by regulations.
- b. Established a health center to provide staff health management, health inspection and health education and consultation, and care for specific targets and arrange health consultations with on-site physicians.
- c. Established fitness centers, basketball courts, badminton courts, music classrooms and other sports fitness and leisure spaces to encourage employees to maintain a healthy body.
- d. The Employee Welfare Committee regularly handles various national and international travel, birthday celebrations and afternoon tea activities to adjust the physical and mental health of employees, strengthen employee communication and mutual interaction and connection.
- e. Provide various subsidies for employees' marriage, bereavement, illness, childbirth and education.
- f. Organize self-growth and stress relief related courses and lectures.
- g. Provide meal subsidies for dining staff, and the Company has a staff restaurant that provides buffet, pasta or light meals and other diverse options and calorie information.

(2) Continuous education, training and the implementation thereof

Depending on the needs of each employee's job capacity, future personal development, and the requirement of the Company's operational expansion, the Company formulates individual refresher training programs, and each department regularly formulates and implements its annual training plans every year. If requirements arise in the financial year, each department may, from time to time, submit an "Education and Training Requirement Questionnaire" to add the required training items, which should effectively achieve the purpose of enhancing objectives of the employees' work functions.

(3) Retirement System

In December 1998, the Company set up a special account for labor pension preparation in the Central Trust Bureau, which was allocated at 2% of the total monthly salary. The standard and method of payment of the pension application shall be handled in accordance with the provisions of the Labour Standards Act. Since the beginning of the implementation, no employees have applied for retirement. Since 1999 and in accordance with the Pension Bulletin No. 18, a qualified actuary is hired to conduct actuarial pension assessment. In addition, the Company has solicited the wishes of employees, and since July 1, 2005, according to the regulations of the new labor pension regulations, a retirement fund has been allocated to each employee's pension account. Regarding the handling of employee retirement-related matters, it is understood to be handled in accordance with relevant regulations.

(4) Agreements between the employer and employees

The Company has set up labor management meetings in accordance with relevant laws and regulations to negotiate labor management issues through regular discussions. At the same time, through the operation of the employee welfare committee, the Company and the welfare committee cooperated to promote the improvement of employee welfare. In addition, the Company values humane management and recognizes the coexistence and co-prosperity of labor capital as a whole. Therefore, the two-way coordination and communication are adopted in the communication of labor and management issues, so that both parties can understand each other better to achieve the same goals.

(5) Measures to protect employees' rights and interests:

The Company handles all employee rights and welfare measures in accordance with the relevant laws and regulations to fulfill its maintenance responsibilities, and should be able to reasonably and fully protect employees' rights and interests.

(6) Work environment and protection for the physical safety of workers:

The Company spares no effort in workplace safety and health, and will continue to work on the safety and health prevention in the future, to prevent the injury of the workplace and the personal safety of employees through continuous improvement. The Company's occupational safety and health implementation results are as follows:

**Occupational safety and health implementation results**

**1. Labor Operating Environment Monitoring**

To understand the actual condition of the working environment in the labor workplace and assess the worker's exposure to the working environment, for which the Company conducts planning, sampling, measurement and analysis accordingly. To protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, regular environmental monitoring is carried out every year to gradually understand the actual degree of hazards the workers are exposed to, thereby improving the on-site environment and preventing occupational disasters.

Table - Work Safety Performance

Workplace safety inspection	
Workspace safety inspection	Daily inspection
Management by walking around	First level supervisor once a quarter
Work safety inspection in construction site	Conducted from time to time as needed

**2. Labor Safety and Health Committee**

To prevent occupational disasters and ensure the safety and health of employees, ESMT has an internal occupational safety and health committee. It holds regular meetings every quarter to discuss labor safety and health related matters and promote various labor safety and health related businesses.

**3. Personnel Safety and Health Training**

Through education and training, ESMT enables employees to understand environmental, safety and health regulations, policies and the Company's environmental, safety and health commitments, enhances the Company's awareness on environmental impact, safety and health risks, and emergency contingency plans to fulfill environmental, safety and health goals and comply with environmental, safety and health.

The Administration Department is responsible for surveying the training needs of various safety, health and environmental protection related courses and organizing training plans. Each department participates in training as needed, and arranges relevant personnel to organize relevant safety and health education and training. In addition, contractors are also required to provide and participate in relevant training in accordance with the "Contractor Management Measures" to ensure the safety and health of the personnel in the Company.



Table - Work Safety Education Training and Promotion

Year	Training participants	Average training man hour
2019	172	413
2020	149	332.5

Table - Professional Work Safety Management Personnel

Work safety personnel with professional license	
Type A Occupational Safety and Health Manager	1
Occupational Safety Manager	1
Occupational Safety and Health Manager	1
Operators of Forklift Over 1 Ton	9
Oxygen-Deficient Operations Supervisor	1
High-pressure Gas-specific Equipment Operators	1
High-Pressure Gas Container Operator	1
Radiation Safety Certificate for Operator	5
First Aid Personnel	9
Healthcare Personnel for Labor Health Services	1
Ionizing radiation	3
Other	3

#### 4. Statistics of Disability due to Occupational Disasters

ESMT is committed to providing colleagues with a safe working environment. For accidents, the parties or surrounding personnel will notify the supervisor and the administrative department as soon as possible, and the work safety and nursing staff will provide assistance.

According to the Occupational Accident and Disability Certification of the Occupational Safety and Health Administration of the Ministry of Labor, traffic accidents beyond the Company are excluded. For occasion traffic contingency, ESMT held quarterly to explain the occurrence of the incident and the new personnel occupational safety and health course to conduct case publicity to prevent similar accidents from happening again through the occupational safety and health committee.

Table - Company's Work Safety Performance in the Past Two Years - Statistics of Employee Disability Injury

Year	Fatal accident	Disability accident
2019	Male: 0 Female: 0	Male: 0 Female: 0
2020	Male: 0 Female: 0	Male: 0 Female: 0

#### 5. Measures for the Prevention and Management of Diseases Caused by Abnormal Workload

ESMT is a professional IC design company with a simple office environment. According to the provisions of Article 6 of the Occupational Safety and Health Act, to ensure the work safety of employees and their physical and mental health, employers should avoid overwork diseases caused by shifts, night work, long hours or other workload factors. "Only a safe

and healthy workforce can ensure the competitiveness of the Company"; Labor is an important asset of a company. Based on the principle that prevention is better than cure, the provisions of the Occupational Safety and Health Act are implemented, and relevant measures to promote the physical and mental health of the workers are adopted to create a more friendly and healthy workplace environment for workers, and ensure their rights and interests. ESMT has established the "Measures for the Prevention and Management of Diseases Promoted by Abnormal Workloads" and adopted disease prevention measures and related management to ensure the physical and mental health of employees and prevent employees from causing diseases due to abnormal workloads. Nursing staff regularly evaluates and interviews with specialist doctors in the occupational medicine department, and makes follow-up recommendations and measures based on the interview records of physicians.

- (II) Specify losses arising from labor disputes in the most recent year up to the publication date of this Annual Report, and disclose potential losses in the current and future periods as well as and countermeasures:

To uphold the belief of perfect care for the employees, the Company has a vacation and retirement system, and also a variety of welfare measures. Therefore, employees have a high degree of centripetal force to the Company. A harmonious relationship between labor and management is maintained, and thus, there was no loss arising from by labor disputes.

## VI. Important Contracts

Nature of Contract	Counterparty	Term	Salient terms	Restrictions
Lease Contract	Science Park Bureau	March 1, 2001 to December 31, 2020	Land Lease	Nil
Lease Contract	Science Park Bureau	August 6, 2010 to December 31, 2020	Land Lease	Nil
Lease Contract	Science Park Bureau	August 27, 2014 to December 31, 2033	Land Lease	Nil

## Financial Overview

### I. Balance Sheet and Profit and Loss Statement Summary for the 5 most recent financial years

#### (1) Balance Sheet Summary - Adopted International Financial Reporting Standards

##### 1. Consolidated Balance Sheet Summary - Adopted of International Financial Reporting Standards (IFRS)

Unit: NT\$ 1,000

Financial Year		2016	2017	2018	2019	2020	Financial Data as at March 31, 2021
Item							
Current assets		7,800,779	8,499,324	9,206,455	9,497,077	11,832,047	12,918,170
Property, plant, and equipment		778,433	891,701	799,062	696,328	776,598	933,679
Intangible assets		121,694	154,069	133,975	81,593	111,688	106,247
Other assets		505,175	71,821	149,820	205,322	280,015	254,363
Total assets		9,206,081	9,616,915	10,289,312	10,480,320	13,000,348	14,212,459
Current liabilities	Before distribution	2,296,257	2,412,330	3,011,680	3,025,945	4,756,158	5,309,028
	After distribution	2,701,059	3,052,777	3,440,318	3,311,704	Undistributed	N/A
Non-current liabilities		34,173	34,444	33,194	113,596	114,907	114,271
Total liabilities	Before distribution	2,330,430	2,446,774	3,044,874	3,139,541	4,871,065	5,423,299
	After distribution	2,735,232	3,087,221	3,473,512	3,425,300	Undistributed	N/A
Equity attributable to parent company		6,981,488	7,277,594	7,355,348	7,461,460	8,264,043	8,921,018
Share capital		2,825,737	2,857,589	2,857,589	2,857,589	2,857,589	2,860,999
Capital reserves	Before distribution	256,073	116,645	59,072	104,305	109,677	125,596
	After distribution	79,266	47,716	59,072	104,305	Undistributed	N/A
Retained profits	Before distribution	3,995,965	4,635,058	4,576,008	4,645,411	5,436,890	6,081,446
	After distribution	3,767,970	4,063,540	4,147,370	4,359,652	Undistributed	N/A
Minority interest		41,034	( 194,377)	-	( 8,524)	5,536	( 1,374)
Treasury shares		( 137,321)	( 137,321)	( 137,321)	( 137,321)	( 145,649)	( 145,649)
Non-controlling interest		( 105,837)	( 107,453)	( 110,910)	( 120,681)	( 134,760)	( 131,858)
Total equity	Before distribution	6,875,651	7,170,141	7,244,438	7,340,779	8,129,283	8,789,160
	After distribution	6,470,849	6,529,694	6,815,800	7,055,020	Undistributed	N/A

Note 1: The financial information of the Company has been reviewed or audited by accountants.

## 2. Balance Sheet Summary of the Company - Adopted of International Financial Reporting Standards (IFRS)

Unit: NT\$ 1,000

Financial Year		2016	2017	2018	2019	2020
Item						
Current assets		6,120,413	7,086,882	8,013,401	8,346,065	10,623,102
Property, plant, and equipment		769,948	883,532	792,823	695,067	776,013
Intangible assets		115,272	150,772	132,628	81,177	111,688
Other assets		2,191,299	1,503,040	1,396,296	1,356,424	1,494,414
Total assets		9,196,932	9,624,226	10,335,148	10,478,733	13,005,217
Current liabilities	Before distribution	2,180,922	2,311,832	2,946,250	2,912,373	4,630,790
	After distribution	2,585,724	2,952,279	3,374,888	3,198,132	Undistributed
Non-current liabilities		34,522	34,800	33,550	104,900	110,384
Total liabilities	Before distribution	2,215,444	2,346,632	2,979,800	3,017,273	4,741,174
	After distribution	2,620,246	2,987,079	3,408,438	3,303,032	Undistributed
Equity attributable to parent company		6,981,488	7,277,594	7,355,348	7,461,460	8,264,043
Share capital		2,825,737	2,857,589	2,857,589	2,857,589	2,857,589
Capital reserves	Before distribution	256,073	116,645	59,072	104,305	109,677
	After distribution	79,266	47,716	59,072	104,305	Undistributed
Retained profits	Before distribution	3,995,965	4,635,058	4,576,008	4,645,411	5,436,890
	After distribution	3,767,970	4,063,540	4,147,370	4,359,652	Undistributed
Other equity interest		41,034	( 194,377)	-	( 8,524)	5,536
Treasury stock		( 137,321)	( 137,321)	( 137,321)	( 137,321)	( 145,649)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	6,981,488	7,277,594	7,355,348	7,461,460	8,264,043
	After distribution	6,576,686	6,637,147	6,926,710	7,175,701	Undistributed

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

### 3. Consolidated Comprehensive Profit and Loss Summary - Adopted International Financial Reporting Standards (IFRS)

Unit: NT\$1,000

Year Item	2016	2017	2018	2019	2020	Financial data as at March 31, 2021
Revenue	9,300,534	10,456,519	11,555,124	11,983,479	15,267,139	4,971,476
Gross profit	1,421,717	2,056,683	2,128,927	1,802,208	2,649,042	1,143,816
Operating profit (loss)	309,551	731,398	806,415	574,943	1,154,785	633,049
Non-operating income and expenses	360,091	243,341	41,845	1,237	98,915	97,690
Net profit before tax	669,642	974,739	848,260	576,180	1,253,700	730,739
Net profit from continuing operations	581,339	862,058	716,194	505,611	1,084,441	642,563
Loss from discontinued operations	-	-	-	-	-	-
Profit (loss) for the year	581,339	862,058	716,194	505,611	1,084,441	642,563
Other comprehensive income (net, after tax)	( 319,950)	( 233,490)	337	( 7,888)	14,872	( 6,910)
Total comprehensive income	261,389	628,568	716,531	497,723	1,099,313	635,653
Net profit attributable to the parent company	597,835	865,167	706,508	497,405	1,076,426	644,556
Net profit attributable to non-controlling interest	( 16,496)	( 3,109)	9,686	8,206	8,015	( 1,993)
Total comprehensive profit attributable to parent company	277,885	631,677	706,845	489,517	1,091,298	637,646
Total comprehensive profit attributable to non-controlling interest	( 16,496)	( 3,109)	9,686	8,206	8,015	( 1,993)
Earnings per share (NT\$)	2.19	3.11	2.52	1.78	3.85	2.30

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

#### 4. Company's Comprehensive Profit and Loss Summary - Adopted International Financial Reporting Standards (IFRS)

Unit: NT\$1,000

Year	2016	2017	2018	2019	2020
Revenue	9,255,474	10,415,576	11,491,609	11,964,770	15,252,723
Gross profit	1,371,678	2,002,960	2,053,252	1,745,049	2,577,636
Operating profit (loss)	416,592	803,092	855,921	578,899	1,101,133
Non-operating income and expenses	250,915	156,582	( 20,130)	( 15,466)	141,956
Net profit before tax	667,507	959,674	835,791	563,433	1,243,089
Net profit from continuing operations	597,835	865,167	706,508	497,405	1,076,426
Loss from discontinued operations	-	-	-	-	-
Pro fit (loss) for the year	597,835	865,167	706,508	497,405	1,076,426
Other comprehensive profit (net, after tax)	( 319,950)	( 233,490)	337	( 7,888)	14,872
Total comprehensive profit	277,885	631,677	706,845	489,517	1,091,298
Earnings per share (NT\$)	2.19	3.11	2.52	1.78	3.85

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

#### (2) Names of CPAs in the five most recent financial years and audit opinions

Year	Name of the CPA	Name of CPAs	Audit opinion	Remarks
FY 2016	PricewaterhouseCoopers Taiwan	Yu-Kuan, Lin & Daniel Lee	Unqualified opinion	
FY 2017	PricewaterhouseCoopers Taiwan	Ya-Huei Cheng & Daniel Lee	Unqualified opinion	Note
FY 2018	PricewaterhouseCoopers Taiwan	Ya-Huei Cheng & Daniel Lee	Unqualified opinion	
FY 2019	PricewaterhouseCoopers Taiwan	Ya-Huei Cheng & Daniel Lee	Unqualified opinion	
FY 2020	PricewaterhouseCoopers Taiwan	Ya-Huei Cheng & Daniel Lee	Unqualified opinion	

Note: The Company appointed PricewaterhouseCoopers Taiwan to attest the financial statement. Due to the rotation of internal work functions of the CPA accounting firm, the CPA was changed.

## II. Financial analysis for the five most recent financial years

### (1) Financial analysis - Adopted International Financial Reporting Standards (IFRS)

#### 1. Consolidated Financial Analysis - Adopted International Financial Reporting Standards (IFRS)

Item		Year	2016	2017	2018	2019	2020	Financial data as of March 31, 2021	
Financial structure	Debts to total assets ratio (%)		25.31	25.44	29.59	29.96	37.47	38.16	
	Long-term capital to PPE ratio (%)		887.66	807.96	910.77	1,070.53	1,061.58	953.59	
Debt service ability	Current ratio (%)		339.72	352.33	305.69	313.85	248.77	243.32	
	Quick ratio (%)		186.51	197.54	111.39	148.39	122.58	138.38	
	Interest coverage ratio (times)		49,924.55	70,478.27	17,457.48	6,617.87	10,976.20	15,204.15	
Operating ability	Accounts receivable turnover rate (times)		9.09	9.43	10.32	10.06	10.49	11.30	
	Average collection days (days)		41	39	35	37	35	32	
	Inventory turnover rate (times)		2.10	2.29	1.93	1.82	2.25	2.64	
	Payables turnover rate (times)		4.67	4.71	5.14	4.94	5.46	6.28	
	Average inventory turnover days (days)		174	159	189	201	163	138	
	Turnover rate for PPE (times)		12.15	12.52	13.67	16.03	20.73	23.25	
	Total asset turnover rate (times)		1.04	1.11	1.16	1.15	1.30	1.46	
Profit ability	Return on assets (%)		6.52	9.17	7.24	4.94	9.32	4.75	
	Return on equity (%)		8.57	12.27	9.94	6.93	14.02	7.60	
	Ratio to paid-in Capital (%)	Operating profit margin (%)		10.95	25.59	28.22	20.12	40.41	22.13
		Net profit before tax margin (%)		23.70	34.11	29.68	20.16	43.87	25.54
	Net profit margin (%)		6.25	8.24	6.20	4.22	7.10	12.92	
	Earnings per share (NT\$)		2.19	3.11	2.52	1.78	3.85	2.30	
Cash flow	Cash flow ratio (%)		49.03	39.41	-	61.12	9.53	26.00	
	Cash flow adequacy ratio (%)		65.09	62.35	17.02	28.20	57.56	63.41	
	Cash reinvestment ratio (%)		11.56	8.95	-	15.60	1.72	12.70	
Leverage	Operating leverage		4.08	2.58	2.58	3.30	2.20	1.59	
	Financial leverage		1.00	1.00	1.01	1.02	1.01	1.01	

Analysis of financial ratio differences for the last two years:

1. The debt to assets ratio rose while the current ratio fell, mainly due to an increase in short-term borrowings during the year.
2. The interest coverage multiple rose, mainly due to a significant increase in income tax expenses as a result of an increase in profit during the year.
3. The inventory turnover ratio rose, mainly due to a significant increase in cost of goods sold. However, the increase in the inventory at the end of the period was not as significant as the increase in the cost.
4. The return on assets, return on equity, operating income/net income before income taxes to paid-in capital ratio, net income ratio and earnings per share rose, mainly due to the sluggish global economy caused by the COVID-19 pandemic. However, the electronics industry grew against the trend, and the Company's operating profit increased from the previous year.
5. The cash flow ratio and the cash reinvestment ratio rose, mainly due to the growth in revenue during the year. However, the operating cash flow decreased significantly from the previous year due to an increase in the inventory as a result of the projected future sales.
6. The cash flow adequacy ratio rose, mainly because the average operating cash flow increased significantly from the previous year.
7. The degree of operating leverage fell, mainly due to the sluggish global economy during the year. However, the electronics industry grew against the trend, and the Company's operating income increased significantly from the previous year.

## 2. Financial Analysis of the Company - Adopted International Financial Reporting Standards (IFRS)

Item		Year					
		2016	2017	2018	2019	2020	
Financial structure	Debts to total assets (%)	24.09	24.38	28.83	28.79	36.46	
	Long-term capital to PPE ratio (%)	911.23	827.63	931.97	1,088.58	1,079.16	
Debt service ability	Current ratio (%)	280.63	306.55	271.99	286.57	229.40	
	Quick ratio (%)	119.81	146.57	73.71	114.99	99.87	
	Interest coverage ratio (times)	49,765.70	69,742.53	17,223.36	6,565.09	11,093.00	
Operating ability	Accounts receivable turnover rate (times)	9.58	10.07	10.80	10.69	11.36	
	Average collection days (days)	39	36	34	35	33	
	Inventory turnover rate (times)	2.11	2.30	1.93	1.83	2.26	
	Payables turnover rate (times)	4.71	4.81	5.30	5.12	5.74	
	Average inventory turnover days (days)	173	159	189	200	162	
	Turnover rate for PPE (times)	12.19	12.60	13.71	16.08	20.74	
	Total asset turnover rate (times)	1.03	1.11	1.15	1.15	1.30	
Profit ability	Return on assets (%)	6.69	9.21	7.12	4.85	9.25	
	Return on equity (%)	8.69	12.13	9.66	6.71	13.69	
	Ratio to paid-in Capital (%)	Operating profit margin (%)	14.74	28.10	29.95	20.26	38.53
		Net profit before tax margin (%)	23.62	33.58	29.25	19.72	43.50
	Net profit margin (%)	6.46	8.31	6.15	4.16	7.06	



Item		Year				
		2016	2017	2018	2019	2020
	Earnings per share (NT\$)	2.19	3.11	2.52	1.78	3.85
Cash flow	Cash flow ratio (%)	58.30	38.24	-	66.94	9.63
	Cash flow adequacy ratio (%)	70.20	65.11	19.60	34.46	60.02
	Cash reinvestment ratio (%)	13.04	7.96	-	16.49	1.55
Leverage	Operating leverage	3.32	2.45	2.52	3.26	2.26
	Financial leverage	1.00	1.00	1.01	1.02	1.01

Analysis of financial ratio differences for the last two financial years:

1. The debt to assets ratio rose while the current ratio fell, mainly due to an increase in short-term borrowings during the year.
2. The interest coverage multiple rose, mainly due to a significant increase in income tax expenses as a result of an increase in profit during the year.
3. The inventory turnover ratio rose, mainly due to a significant increase in cost of goods sold. However, the increase in the inventory at the end of the period was not as significant as the increase in the cost.
4. The return on assets, return on equity, operating income/net income before income taxes to paid-in capital ratio, net income ratio and earnings per share rose, mainly due to the sluggish global economy caused by the COVID-19 pandemic. However, the electronics industry grew against the trend, and the Company's operating profit increased from the previous year.
5. The cash flow ratio and the cash reinvestment ratio rose, mainly due to the growth in revenue during the year. However, the operating cash flow decreased significantly from the previous year due to an increase in the inventory as a result of the projected future sales.
6. The cash flow adequacy ratio rose, mainly because the average operating cash flow increased significantly from the previous year.
7. The degree of operating leverage fell, mainly due to the sluggish global economy during the year. However, the electronics industry grew against the trend, and the Company's operating income increased significantly from the previous year.

The formulas for calculating the financial ratios are as follows:

1. Financial structure

- (1) Liability to asset ratio = total liabilities / total assets.
- (2) Long-term capital PPE = (total equities + non-current liabilities) / net value of PP&E.

2. Debt service ability

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expenditures) / current liabilities.
- (3) Interest coverage ratio = profit before interest and tax / interest expenditures for this year.

3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = net revenue / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
- (2) Average collection days = 365 / receivables turnover rate.
- (3) Inventory turnover = cost of goods sold / average inventory value.
- (4) Payable turnover rate (including bills payable resulting from accounts payable and business operations) = cost of goods sold / average accounts payable in various periods (including bills payable resulting from accounts payable and business

operations).

(5) Average sales days =  $365 / \text{inventory turnover ratio}$ .

(6) PPE turnover ratio =  $\text{net sale} / \text{average PPE value}$ .

(7) Total asset turnover ratio =  $\text{Net revenue} / \text{average total PPE value}$ .

#### 4. Profitability

(1) Return on assets =  $[\text{net profit after taxes} + \text{interest expense} (1 - \text{tax rate})] / \text{average total assets}$ .

(2) Equity remuneration rate =  $\text{net profit (loss) after tax} / \text{average total equity value}$ .

(3) Net profit margin =  $\text{net profit (loss) after tax} / \text{net revenue}$ .

(4) Earnings per share (EPS) =  $(\text{Profit (loss) attributable to the parent company} - \text{dividend for preferred shares}) / \text{weighted average of issued shares}$

#### 5. Cash flow

(1) Cash flow ratio =  $\text{net cash from business activities} / \text{current liabilities}$ .

(2) Net cash flow adequacy ratio =  $\text{net cash flow for business activities for the last 5 years} / (\text{capital expenses} + \text{additional inventory sum} + \text{cash dividend}) \text{ for the past 5 financial years}$ .

(3) Cash re-investment ratio =  $(\text{net cash flow from business activities} - \text{cash dividend}) / (\text{gross amount of PPE} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$ .

#### 6. Leverage:

(1) Operating leverage =  $(\text{net revenue} - \text{variable operating cost and expense}) / \text{operating income}$

(2) Financial Leverage =  $\text{operating profit} / (\text{operating profit} - \text{interest expense})$ .

### III. Audit Committee's Audit Report for the Most Recent Fiscal Year

## Elite Semiconductor Microelectronics Technology Inc.

### Audit Committees' Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers was retained to audit the ESMT's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Elite Semiconductor Microelectronics Technology Inc. According to the relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

To: Elite Semiconductor Microelectronics Technology Inc. 2021 Annual  
Shareholders' Meeting

Elite Semiconductor Microelectronics Technology  
Inc.

Convener of the Audit Committee: Shan-Jen, Chow

February 26, 2021

IV. Financial Statements for the Most Recent Financial Year  
Independent Auditors' Report

**(2021) Finance-Audit-Letter No.20003747**

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

***Opinion***

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

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

***Basis for opinion***

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

### **Evaluation of inventories**

#### **Description**

Refer to Note 4 (13) for the accounting policies on the evaluation of inventories, Note 5 (2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Note 6 (5) for the Details of inventory. As at December 31, 2020, the inventory and allowance for inventory valuation loss amounted to NT\$6,068,804 thousand and NT\$99,474 thousand.

The Group is primarily engaged in research, development, production, manufacture, and sales of integrated circuit. The Group evaluates inventories stated at lower of cost and net realizable value. Since the evaluation of net realizable value of the inventories exceed specific period and obsolete inventories is subject to management's judgment and uncertainty of estimations. Consequently, we consider the evaluation of inventories as a key audit matter.

#### **How our audit addressed the matter**

We have performed primary audit procedures for the above key audit matter included assessed the rationality of policy and procedure on allowance for inventory valuation loss based on our understanding of the Group's operations and industry, the historical data of product marginalization in the market and judged the rationality of obsolete inventories. We inspected the appropriateness of inventory aging report to confirm the consistency of report and policy, selected samples to compare the historical data of product marginalization in the market which determine the net realizable value of the obsolete inventories and net realizable value of the obsolete inventories to assessed the rationality of the allowance for inventory valuation loss.

### ***Other matter–Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Elite Semiconductor Microelectronics Technology Inc. as at and for the years ended December 31, 2020 and 2019.

### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the

entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021



Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousand

Assets	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 3,597,917	28	\$ 2,757,003	26
1110	Financial assets at fair value through profit or loss - current	6(2)	365,474	3	252,593	3
1136	Financial assets at amortized cost - current		136,704	1	140,906	1
1150	Notes receivable, net		-	-	34	-
1170	Accounts receivable, net	6(4)	1,633,993	12	1,256,938	12
1200	Other receivables		95,830	1	82,741	1
130X	Inventories	6(5)	5,969,330	46	4,972,552	48
1410	Prepayments		27,602	-	27,444	-
1470	Other current assets	8	5,197	-	6,866	-
11XX	<b>Total current assets</b>		<u>11,832,047</u>	<u>91</u>	<u>9,497,077</u>	<u>91</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	64,836	-	50,776	-
1550	Investment accounted for under the equity method	6(6)	33,883	-	33,210	-
1600	Property, plant and equipment	6(7)	776,598	6	696,328	7
1755	Right-of-use assets	6(8)	80,782	1	86,367	1
1760	Investment property, net	6(9)	17,701	-	18,671	-
1780	Intangible assets	6(10)(11)	111,688	1	81,593	1
1840	Deferred income tax assets	6(26)	3,813	-	4,174	-
1900	Other non-current assets	8	79,000	1	12,124	-
15XX	<b>Total non-current assets</b>		<u>1,168,301</u>	<u>9</u>	<u>983,243</u>	<u>9</u>
1XXX	<b>Total assets</b>		<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousand

Liabilities and equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12)	\$ 1,340,000	10	\$ 274,000	3
2110	Short-term notes and bills payable		149,756	1	-	-
2130	Contract liabilities - current	6(19)	5,346	-	3,959	-
2150	Notes payable		2,115	-	1,981	-
2170	Accounts payable		2,396,158	19	2,225,909	21
2200	Other payables	6(13)	694,001	5	462,523	5
2230	Current income tax liabilities		147,948	1	40,046	-
2280	Lease liabilities - current		10,356	-	11,447	-
2300	Other current liabilities		10,478	-	6,080	-
21XX	<b>Total current liabilities</b>		<u>4,756,158</u>	<u>36</u>	<u>3,025,945</u>	<u>29</u>
<b>Non-current liabilities</b>						
2550	Provisions - non-current		16,495	-	15,083	-
2570	Deferred income tax liabilities	6(26)	12,442	-	4,731	-
2580	Lease liabilities – non-current		71,281	1	75,440	1
2600	Other non-current liabilities	6(14)	14,689	-	18,342	-
25XX	<b>Total non-current liabilities</b>		<u>114,907</u>	<u>1</u>	<u>113,596</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>4,871,065</u>	<u>37</u>	<u>3,139,541</u>	<u>30</u>
<b>Equity attributable to owners of the parent</b>						
Share capital						
3110	Common stock	6(16)	2,857,589	22	2,857,589	27
Capital surplus						
3200	Capital surplus	6(17)	109,677	1	104,305	1
Retained earnings						
3310	Legal reserve	6(18)	1,409,039	11	1,359,235	13
3320	Special reserve		8,524	-	-	-
3350	Unappropriated retained earnings		4,019,327	31	3,286,176	31
Other equity interest						
3400	Other equity interest		5,536	-	( 8,524)	-
3500	Treasury shares	6(16)	( 145,649)	( 1)	( 137,321)	( 1)

(Continue)

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousand

31XX	<b>Total equity attributable to owners of the parent</b>	8,264,043	64	7,461,460	71
36XX	<b>Non-controlling interest</b>	( 134,760)	( 1)	( 120,681)	( 1)
3XXX	<b>Total equity</b>	<u>8,129,283</u>	<u>63</u>	<u>7,340,779</u>	<u>70</u>
	Significant Events after the End of the Balance Sheet Date				
3X2X	<b>Total liabilities and equity</b>	<u>\$ 13,000,348</u>	<u>100</u>	<u>\$ 10,480,320</u>	<u>100</u>

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
Years ended December 31, 2020 and 2019

Unit: NTS thousand  
(Except earnings per share)  
2019

Items	Notes	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(19)	\$ 15,267,139	100	\$ 11,983,479	100
5000 Operating costs	6(5) (24) (25)	( 12,618,097)	( 83)	( 10,181,271)	( 85)
5950 Gross profit		<u>2,649,042</u>	<u>17</u>	<u>1,802,208</u>	<u>15</u>
Operating expenses	6(24) (25)				
6100 Selling expenses		( 271,045)	( 2)	( 234,342)	( 2)
6200 Administrative expenses		( 290,943)	( 2)	( 243,035)	( 2)
6300 Research and development expenses		( 940,851)	( 6)	( 739,881)	( 6)
6450 Expected credit impairment gain (loss)	12(2)	<u>8,582</u>	<u>-</u>	<u>( 10,007)</u>	<u>-</u>
6000 Total operating expenses		<u>( 1,494,257)</u>	<u>( 10)</u>	<u>( 1,227,265)</u>	<u>( 10)</u>
6900 Operating profit		<u>1,154,785</u>	<u>7</u>	<u>574,943</u>	<u>5</u>
Non-operating income and expenses					
7100 Interest income	6(20)	27,412	-	49,666	-
7010 Other income	6(21)	26,505	-	40,500	-
7020 Other gains or losses	6(22)	55,852	1	( 66,895)	-
7050 Financial costs	6(23)	( 11,527)	-	( 8,840)	-
7060 Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	<u>673</u>	<u>-</u>	<u>( 13,194)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>98,915</u>	<u>1</u>	<u>1,237</u>	<u>-</u>
7900 Profit before income tax		1,253,700	8	576,180	5
7950 Income tax expenses	6(26)	( 169,259)	( 1)	( 70,569)	( 1)
8200 Profit for the period		<u>\$ 1,084,441</u>	<u>7</u>	<u>\$ 505,611</u>	<u>4</u>
Other comprehensive income (loss) - net					
Items not reclassified to profit or loss					
8311 Gain on remeasurements of defined benefit plans	6(14)	\$ 812	-	\$ 636	-
8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	<u>14,060</u>	<u>-</u>	<u>( 8,524)</u>	<u>-</u>
8300 Other comprehensive income (loss) - net		<u>\$ 14,872</u>	<u>-</u>	<u>( \$ 7,888)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 1,099,313</u>	<u>7</u>	<u>\$ 497,723</u>	<u>4</u>
Profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 1,076,426</u>	<u>7</u>	<u>\$ 497,405</u>	<u>4</u>
8620 Non-controlling interest		<u>\$ 8,015</u>	<u>-</u>	<u>\$ 8,206</u>	<u>-</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		<u>\$ 1,091,298</u>	<u>7</u>	<u>\$ 489,517</u>	<u>4</u>
8720 Non-controlling interest		<u>\$ 8,015</u>	<u>-</u>	<u>\$ 8,206</u>	<u>-</u>
Earnings per share	6(27)				
9750 Basic earnings per share		<u>\$ 3.85</u>	<u>\$ 1.78</u>		
9850 Diluted earnings per share		<u>\$ 3.83</u>	<u>\$ 1.77</u>		

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity  
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand

	Note	Equity attributable to owners of the parent						Non-controlling interest	Total equity		
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income			Total	
<b>2019</b>											
Balance at 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
Profit for the period		-	-	-	-	497,405	-	-	497,405	8,206	505,611
Other comprehensive income for the period		-	-	-	-	636	( 8,524 )	-	( 7,888 )	-	( 7,888 )
Comprehensive income for the period		-	-	-	-	498,041	( 8,524 )	-	489,517	8,206	497,723
Distribution of 2018 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	70,651	-	( 70,651 )	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	( 428,638 )	-	-	( 428,638 )	-	( 428,638 )
Reversal of special reserve		-	-	-	( 194,377 )	194,377	-	-	-	-	-
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	( 15,444 )	( 14,298 )
Disposal of subsidiaries	6(17) (28)	-	35,475	-	-	-	-	-	35,475	( 2,533 )	32,942
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17) (28)	-	8,438	-	-	-	-	-	8,438	-	8,438
Change in associates and joint ventures accounted for under equity method	6(17)	-	180	-	-	-	-	-	180	-	180
Expired cash dividends transferred to capital surplus	6(17)	-	39	-	-	-	-	-	39	-	39
Adjustment of payments of expired cash dividends	6(17)	-	( 45 )	-	-	-	-	-	( 45 )	-	( 45 )
Balance at December 31, 2019		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524 )	(\$ 137,321 )	\$ 7,461,460	(\$ 120,681 )	\$ 7,340,779
<b>2020</b>											
Balance at 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
Profit for the period		-	-	-	-	1,076,426	-	-	1,076,426	8,015	1,084,441
Other comprehensive income for the period		-	-	-	-	812	14,060	-	14,872	-	14,872
Comprehensive income for the period		-	-	-	-	1,077,238	14,060	-	1,091,298	8,015	1,099,313
Distribution of 2019 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	49,804	-	( 49,804 )	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	( 285,759 )	-	-	( 285,759 )	-	( 285,759 )
Special reserve appropriated		-	-	-	8,524	( 8,524 )	-	-	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	( 8,328 )	( 8,328 )	( 11,566 )	( 19,894 )
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146	( 10,396 )	( 9,250 )
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	5,925	-	-	-	-	-	5,925	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	6(17) (28)	-	( 1,781 )	-	-	-	-	-	( 1,781 )	( 132 )	( 1,913 )
Expired cash dividends transferred to capital surplus	6(17)	-	82	-	-	-	-	-	82	-	82
Balance at December 31, 2020		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649 )	\$ 8,264,043	(\$ 134,760 )	\$ 8,129,283

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand

	Notes	2020	2019
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 1,253,700	\$ 576,180
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(8)(9)(24)	312,334	398,674
Amortization	6(10)(24)	111,556	85,108
Expected credit impairment loss (gain)	12(2)	( 8,582 )	10,006
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(22)	( 132,628 )	8,727
Interest expenses	6(23)	11,527	8,840
Interest income	6(20)	( 27,412 )	( 49,666 )
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	( 673 )	13,194
Dividend income	6(21)	( 13,053 )	( 26,570 )
Impairment loss	6(10)(11)(22)	25,352	12,057
Gains arising from lease modifications	6(22)	( 211 )	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		19,747	( 18,850 )
Notes receivable		34	( 34 )
Accounts receivable		( 367,741 )	( 161,164 )
Accounts receivable - related parties		( 732 )	-
Other receivables		( 16,458 )	( 15,256 )
Inventories		( 996,778 )	795,104
Prepayments		( 158 )	52,384
Other current assets		( 2,300 )	( 3,946 )
Net changes in liabilities relating to operating activities			
Notes payable		134	( 764 )
Accounts payable		170,249	331,538

(Continue)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

	Notes	2020		2019
Contract liabilities		1,387		388
Other payables		142,077	(	54,781 )
Other current liabilities		4,398		1,742
Other non-current liabilities		395		384
Cash inflow generated from operations		486,164		1,963,295
Interest received		30,782		50,064
Interest paid		( 10,313 )	(	7,837 )
Income taxes paid		( 53,285 )	(	156,102 )
Net cash flows from operating activities		453,348		1,849,420

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

Unit: NTS thousand  
2019

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 140,157 )	(\$ 140,906 )
Disposal of financial assets at amortized cost		144,359	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	63,905
Acquisition of investments accounted for under the equity method		-	( 2,387 )
Acquisition of property, plant and equipment	6(29)	( 291,635 )	( 268,041 )
(Increase) decrease in prepayments for equipment		( 62,673 )	52,996
Acquisition of intangible assets	6(10)	( 167,003 )	( 44,783 )
Cash outflows from disposal of subsidiaries		-	( 11,607 )
(Increase) Decrease in guarantee deposit paid		( 234 )	185
Dividends received	6(21)	13,053	26,570
Net cash flows from investing activities		<u>( 504,290 )</u>	<u>( 324,068 )</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(29)	1,066,000	( 96,000 )
Increase (decrease) in short-term notes and bills payable	6(29)	150,476	( 99,417 )
Lease principal repayment	6(29)	( 10,575 )	( 12,525 )
(Decrease) Increase in guarantee deposit received	6(29)	( 3,236 )	269
Cash dividends paid	6(18)	( 285,759 )	( 428,638 )
Subsidiaries paid cash dividends to minority share interests		( 9,250 )	( 14,298 )
Subsidiaries received cash dividends from parent	6(17)	5,925	8,438
Expired cash dividends	6(17)	82	39
Payments of expired cash dividends	6(17)	-	( 45 )
Treasury share acquired		( 19,894 )	-
Acquisition of ownership interests in subsidiaries	6(28)	( 1,913 )	-
Net cash flows from (used in) financing		<u>891,856</u>	<u>( 642,177 )</u>

(Continue)

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu



Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

	Notes	2020	Unit: NTS thousand 2019
activities			
Net (decrease) increase in cash and cash equivalents		840,914	883,175
Cash and cash equivalents at beginning of period	6(1)	2,757,003	1,873,828
Cash and cash equivalents at end of period	6(1)	\$ 3,597,917	\$ 2,757,003

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Notes to the Consolidated Financial Statements  
Years Ended December 31, 2020 and 2019

Unit: NT\$ thousand  
(Unless otherwise indicated)

1. History and Organization

Elite Semiconductor Microelectronics Technology Inc. (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 (collectively referred herein 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.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were reported to the Board of Directors on February 26, 2021.

3. Application of New Standards, Amendments and Interpretations

(一) 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:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, “Disclosure Initiative - Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest rate benchmark reform”	January 1, 2020
Amendments to IFRS 16, “Covid-19-Related Rent Concessions”	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Amendments and Interpretations</u>	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021

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

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

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

<u>New Standards, Amendments and Interpretations</u>	Effective Date by International Accounting Standards Board
Amendments to IFRS 3, “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 16, “Property, Plant and Equipment -Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37, “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

#### 4. Summary of Significant Accounting Policies

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

(1)Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2)Basis of preparation

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

- (a) Financial assets (including derivatives instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

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

(3)Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized

directly in equity.

B. Subsidiaries included in the consolidated financial statements :

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Note
			December 31,2020	December 31,2019	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Research and development, production, sales and related consulting services of integrated circuit	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	General investment	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	General investment	41.86	41.86	Note 1
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	General investment	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	General investment	-	100	Note 2
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	Investigation and research of business situation and industrial technology	100	100	
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	
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	98.01	79.37	
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Note
			December 31,2020	December 31,2019	
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical	100	100	

		consulting and services of integrated circuit, and after - sales service			
Chang Feng Investment Ltd.	Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	100	-	Note 3
Chang Feng Investment Ltd.	CHI Microelectronics Limited	Trading	100	-	Note 4

Note 1: Elite Semiconductor Microelectronics Technology Inc. accounts for the majority of voting rights of Jie Yong Investment Ltd. and have same management. It is evaluated to have substantial control, so it was included in the consolidated financial statements.

Note 2: Elite Semiconductor (B.V.I.) Ltd. obtained a liquidated certificate from local regulatory authority on February 9, 2021, and obtained a liquidated letter from Investment Commission of Ministry of Economic Affairs (MOEA) on February 20, 2021.

Note 3: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019. The Company's subsidiary, Chang Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA on May 20, 2020.

Note 4: CHI Microelectronics Limited. was established on August 31, 2020. The Company's subsidiary, Chang Feng Investment Ltd., obtained the investment amount of HKD 100,000 approved by the Investment Commission of MOEA on December 11, 2020. It has not yet operated as of December 31, 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

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

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses

resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'

(5)Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

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



(9)Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10)Accounts and notes receivable

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

(11)Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12)Derecognition of financial assets

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

(13)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~20 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Other	3~10 years

(16)Leasing arrangements (lessee)– right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of Fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term.

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

significant change or a major change in circumstances occurs within the Company's control range.

The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost. The cost is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17)Investment property

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

(18)Intangible assets

- A. Patent and technical skill, customer relationship

Separately acquired patent is stated at historical cost. Patent and technical skill, customer relationship acquired in a business combination are recognized at fair value at the acquisition date and amortized on a straight-line basis over their estimated useful lives of 3 years.

- B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

- C. Other intangible assets, mainly computer software, are stated at cost and amortized on a straight-line basis over their estimated useful lives of 1 ~ 3 years.

(19)Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

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

- C. For the purpose of impairment testing, goodwill acquired in a business

combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) Notes and accounts payable

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

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

future payments.

(b) Defined benefit plans

- I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date of a currency and term consistent with the currency and term of the employment benefit obligations.
- II. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.
- III. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws substantively enacted at the balance sheet date in the countries where the

Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- F. If a change in tax rate is enacted, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(27)Share capital

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

(28)Dividends

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

(29)Revenue recognition

- A. The Group manufactures and sells integrated circuit. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The Group accepts sales orders from customers. Sales revenue is recognized according to the contract price, and the Group transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Group has not adjusted the monetary time value of the transaction price.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30)Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5.Critical Accounting Judgements, Estimates and Key Sources of Assumption  
Uncertainty

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

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the



Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2020, the carrying amount of inventories was \$5,969,330.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 137	\$ 171
Checking accounts and demand deposits	1,042,489	394,658
Time deposits	<u>2,555,291</u>	<u>2,362,174</u>
	<u>\$ 3,597,917</u>	<u>\$ 2,757,003</u>

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Item	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stock	\$ 576	\$ 1,567
Emerging stocks	162,911	148,013
Unlisted stock	8,113	23,263
Beneficiary certificates	72,991	74,442
Bonds	31,226	31,226
Preference share	<u>13,784</u>	<u>14,510</u>
Subtotal	289,601	293,021
Valuation adjustment	<u>75,873</u>	<u>(40,428)</u>
Total	<u>\$ 365,474</u>	<u>\$ 252,593</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 123,592	(\$ 14,498)
Debt instruments	2,465	3,115
Beneficiary certificates	<u>6,571</u>	<u>2,656</u>
Total	<u>\$ 132,628</u>	<u>(\$ 8,727)</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk is provided in Note 12(2)C(b).

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

Item	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Unlisted stock	\$ 59,300	\$ 59,300
Valuation adjustment	<u>5,536</u>	<u>( 8,524)</u>
	<u>\$ 64,836</u>	<u>\$ 50,776</u>

The Group has elected to classify equity investments that are considered to strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$64,836 and \$50,776 as at December 31, 2020 and 2019, respectively.

(4) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable - general customers	\$ 1,638,733	\$ 1,270,992
Accounts receivable - related parties	<u>973</u>	<u>241</u>
	1,639,706	1,271,233
Less: Allowance for losses	<u>( 5,713)</u>	<u>( 14,295)</u>
	<u>\$ 1,633,993</u>	<u>\$ 1,256,938</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 1,633,993	\$ 1,256,700
Past due-within 30 days	-	238
Past due-31-90 days	-	-
Past due-91-180 days	-	-
Past due-over 180 days	<u>5,713</u>	<u>14,295</u>
	<u>\$ 1,639,706</u>	<u>\$ 1,271,233</u>

The above aging analysis was based on past due date.

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,633,993 and \$1,256,938, respectively.

C. The collaterals and fair value held by the Group as guarantee for accounts receivable are as follows:

	December 31, 2020	December 31, 2019
Bank guarantee	\$ 33,044	\$ 43,494
Pledged certificate of deposit	4,272	7,500
Guarantee deposits received (shown as "other non-current liabilities")	5,526	8,794
Letters of credit	760,162	546,672
Company promissory note/check	<u>555,221</u>	<u>366,621</u>
	<u>\$ 1,358,225</u>	<u>\$ 973,081</u>

D. Information relating to credit risk is provided in Note 12(2).

E. As at December 31, 2020 and 2019, accounts receivable were all from contracts with customers. As at January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,105,913.

F. The Group has no accounts receivable pledged to others as collateral.

#### (5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 138,104	(\$ 10,726)	\$ 127,378
Work in progress	4,724,556	( 20,266)	4,704,290
Finished goods	1,199,604	( 68,482)	1,131,122
Inventory in transit	<u>6,540</u>	<u>-</u>	<u>6,540</u>
	<u>\$ 6,068,804</u>	<u>(\$ 99,474)</u>	<u>\$ 5,969,330</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 158,670	(\$ 9,794)	\$ 148,876
Work in progress	4,013,286	( 70,663)	3,942,623
Finished goods	965,399	( 88,739)	876,660
Inventory in transit	<u>4,393</u>	<u>-</u>	<u>4,393</u>
	<u>\$ 5,141,748</u>	<u>(\$ 169,196)</u>	<u>\$ 4,972,552</u>

The Group recognized as expense or loss:

	Year ended December 31,	
	2020	2019
Cost of goods sold	\$ 12,687,819	\$ 10,266,729
Reversal of allowance on market value decline and obsolete and slow-moving inventories	( 69,722)	( 85,458)
	<u>\$ 12,618,097</u>	<u>\$ 10,181,271</u>

The reversal of allowance were recognized due to sale of certain inventories which were previously provided with allowance for price decline.

(6) Investments accounted for under the equity method

	2020	2019
At January 1	\$ 33,210	\$ -
Addition of investments accounted for using equity method(Note)	-	46,404
Share of profit or loss of investments accounted for using equity method	<u>673</u>	<u>( 13,194)</u>
At December 31	<u>\$ 33,883</u>	<u>\$ 33,210</u>

	December 31, 2020	December 31, 2019
Associates	<u>\$ 33,883</u>	<u>\$ 33,210</u>

Note: The Group held 7,795 thousand shares or NT\$77,950 in its subsidiary, Canyon Semiconductor Inc. (collectively referred herein 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, Charng 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, it has still significant influences on the subsidiary.

## A. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2020	December 31, 2019		
Canyon Semiconductor Inc.	Taiwan	40.93%	40.93%	Holding over 20% of voting rights	Equity method

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

### Balance sheet

	Canyon Semiconductor Inc.	
	December 31, 2020	December 31, 2019
Current assets	\$ 109,740	\$ 91,092
Non-current assets	1,299	1,596
Current liabilities	(28,258)	(11,549)
Total net assets	<u>\$ 82,781</u>	<u>\$ 81,139</u>
Share in associate's net assets	<u>\$ 33,883</u>	<u>\$ 33,210</u>
Carrying amount of the associate	<u>\$ 82,781</u>	<u>\$ 81,139</u>

	Canyon Semiconductor Inc.	
	Year ended December 31,	
	2020	2019
Revenue	<u>\$ 149,872</u>	<u>\$ 21,440</u>
Profit (loss) for the period from continuing operations	<u>\$ 1,642</u>	<u>(\$ 33,589)</u>
Total comprehensive income (loss)	<u>\$ 1,642</u>	<u>(\$ 33,589)</u>

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2020						
Cost	\$9,023	\$635,941	\$429,782	\$249,302	\$1,231,048	\$2,555,096
Accumulated depreciation and impairment	<u>-</u>	<u>(364,888)</u>	<u>(352,626)</u>	<u>(146,396)</u>	<u>(994,858)</u>	<u>(1,858,768)</u>
	<u>\$9,023</u>	<u>\$271,053</u>	<u>\$77,156</u>	<u>\$102,906</u>	<u>\$236,190</u>	<u>\$696,328</u>
<u>2020</u>						
At January 1	\$9,023	\$271,053	\$77,156	\$102,906	\$236,190	\$696,328
Additions	-	505	85,605	38,058	252,171	376,339
Transfer (Note)	-	-	2,719	1,455	-	4,174
Depreciation charge	<u>-</u>	<u>(34,055)</u>	<u>(22,509)</u>	<u>(22,815)</u>	<u>(220,864)</u>	<u>(300,243)</u>
At December 31	<u>\$9,023</u>	<u>\$237,503</u>	<u>\$142,971</u>	<u>\$119,604</u>	<u>\$267,497</u>	<u>\$776,598</u>
At December 31, 2020						
Cost	\$9,023	\$636,446	\$518,018	\$287,860	\$1,481,488	\$2,932,835
Accumulated depreciation and impairment	<u>-</u>	<u>(398,943)</u>	<u>(375,047)</u>	<u>(168,256)</u>	<u>(1,213,991)</u>	<u>(2,156,237)</u>
	<u>\$9,023</u>	<u>\$237,503</u>	<u>\$142,971</u>	<u>\$119,604</u>	<u>\$267,497</u>	<u>\$776,598</u>
<u>2019</u>						
At January 1, 2019	\$9,023	\$615,250	\$393,874	\$188,647	\$1,081,083	\$2,287,877
Accumulated depreciation and impairment	<u>-</u>	<u>(332,185)</u>	<u>(313,959)</u>	<u>(134,215)</u>	<u>(708,456)</u>	<u>(1,488,815)</u>
	<u>\$9,023</u>	<u>\$283,065</u>	<u>\$79,915</u>	<u>\$54,432</u>	<u>\$372,627</u>	<u>\$799,062</u>
<u>2019</u>						
At January 1	\$9,023	\$283,065	\$79,915	\$54,432	\$372,627	\$799,062
Additions	-	5,496	35,908	10,070	159,093	210,567
Transfer (Note)	-	15,195	-	59,205	-	74,400
Effects due to changes in consolidated entities	-	-	-	(336)	(2,843)	(3,179)
Depreciation charge	<u>-</u>	<u>(32,703)</u>	<u>(38,667)</u>	<u>(20,465)</u>	<u>(292,687)</u>	<u>(384,522)</u>
At December 31	<u>\$9,023</u>	<u>\$271,053</u>	<u>\$77,156</u>	<u>\$102,906</u>	<u>\$236,190</u>	<u>\$696,328</u>
At December 31, 2019						
Cost	\$9,023	\$635,941	\$429,782	\$249,302	\$1,231,048	\$2,555,096
Accumulated depreciation and impairment	<u>-</u>	<u>(364,888)</u>	<u>(352,626)</u>	<u>(146,396)</u>	<u>(994,858)</u>	<u>(1,858,768)</u>
	<u>\$9,023</u>	<u>\$271,053</u>	<u>\$77,156</u>	<u>\$102,906</u>	<u>\$236,190</u>	<u>\$696,328</u>

Note: Transferred from prepayments for equipment (shown as “other non-current assets”).

A. For the years ended December 31, 2020 and 2019 no interest expense was

capitalized on property, plant and equipment in the Group.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements-lessee

A. The Group leases various assets including land, buildings and structures, business vehicles, printers. Rental contracts are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Short-term leases with a lease term of 12 months or less comprise business vehicles and staff dormitory.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020		December 31, 2019	
	Book value			
Land	\$	62,221	\$	65,641
Buildings and structures		15,188		19,270
Business vehicles		3,083		470
Printers		290		986
	\$	<u>80,782</u>	\$	<u>86,367</u>

	Year ended December 31,			
	2020		2019	
	Depreciation charge			
Land	\$	3,420	\$	3,420
Buildings and structures		6,294		7,334
Business vehicles		711		1,732
Printers		696		696
	\$	<u>11,121</u>	\$	<u>13,182</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$10,410 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,			
	2020		2019	
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$	<u>1,203</u>	\$	<u>1,191</u>
Expense on short-term lease contracts	\$	<u>7,855</u>	\$	<u>9,052</u>

E. For years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$19,633 and \$22,909, respectively.

(9) Investment property

	<u>Buildings and structures</u>
At January 1, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	( <u>1,698</u> )
	<u>\$ 18,671</u>
<u>2020</u>	
At January 1	\$ 18,671
Depreciation charge	( <u>970</u> )
At December 31	<u>\$ 17,701</u>
At December 31, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	( <u>2,668</u> )
	<u>\$ 17,701</u>
	<u>Buildings and structures</u>
At January 1, 2019	
Cost	\$ 20,369
Accumulated depreciation and impairment	( <u>728</u> )
	<u>\$ 19,641</u>
<u>2019</u>	
At January 1	\$ 19,641
Depreciation charge	( <u>970</u> )
At December 31	<u>\$ 18,671</u>
At December 31, 2019	
Cost	\$ 20,369
Accumulated depreciation and impairment	( <u>1,698</u> )
	<u>\$ 18,671</u>



A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31,	
	2020	2019
Rental income from investment property	<u>\$ 2,470</u>	<u>\$ 2,436</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 970</u>	<u>\$ 970</u>

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$10,516 and \$10,538, respectively, which was valued by income approach. Key assumptions are as follows:

	December 31, 2020	December 31, 2019
Rate of net return on capital (Note)	<u>13.29%</u>	<u>13.86%</u>

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

C. For the years ended December 31, 2020 and 2019 no interest expense was capitalized on investment property in the Group.

D. The Group has no investment property pledged to others.

#### (10) Intangible assets

	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 203,852	\$ 330,088
Accumulated depreciation 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>
<u>2020</u>					
At January 1	\$ 8,922	\$ -	\$ 43,654	\$ 29,017	\$ 81,593
Additions	-	-	-	167,003	167,003
Amortization charge	( 5,098)	-	-	( 106,458)	( 111,556)
Impairment loss	<u>-</u>	<u>-</u>	<u>( 25,352)</u>	<u>-</u>	<u>( 25,352)</u>
At December 31	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
At December 31, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 370,855	\$ 497,091
Accumulated depreciation and impairment	<u>( 30,654)</u>	<u>( 11,000)</u>	<u>( 62,456)</u>	<u>( 281,293)</u>	<u>( 385,403)</u>
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>

	Patents and Technical skill	Customer Relations hip	Good will	Others	Total
At January 1, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 159,069	\$ 285,305
Accumulated depreciation and impairment	( 16,596)	( 9,473)	( 25,047)	( 100,214)	( 151,330)
	<u>\$ 17,882</u>	<u>\$ 1,527</u>	<u>\$ 55,711</u>	<u>\$ 58,855</u>	<u>\$ 133,975</u>
<u>2019</u>					
At January 1	\$ 17,882	\$ 1,527	\$ 55,711	\$ 58,855	\$ 133,975
Additions	-	-	-	44,783	44,783
Amortization charge	( 8,960)	( 1,527)	-	( 74,621)	( 85,108)
Impairment loss	-	-	( 12,057)	-	( 12,057)
At December 31	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 29,017</u>	<u>\$ 81,593</u>
At December 31, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 203,852	\$ 330,088
Accumulated depreciation and impairment	( 25,556)	( 11,000)	( 37,104)	( 174,835)	( 248,495)
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 29,017</u>	<u>\$ 81,593</u>

A. Details of amortization on intangible assets are as follows:

	Year ended December 31,	
	2020	2019
Operating costs	\$ 5,098	\$ 8,405
Selling expenses	176	1,864
Administrative expenses	909	711
Research and development expenses	<u>105,373</u>	<u>74,128</u>
	<u>\$ 111,556</u>	<u>\$ 85,108</u>

B. For the years ended December 31, 2020 and 2019 no interest expense was capitalized on intangible assets in the Group.

C. Impairment information about the intangible assets is provided in 6(11).

D. The Group has no intangible assets pledged to others.

#### (11) Impairment of non-financial assets

The Group performs impairment tests on the recoverable amount of goodwill on the balance sheet date. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections approved by the management covering a five-year period as the basis for estimation. The relevant discount rates for 2020 and 2019 were 13.29% and 13.86%, respectively. The value-in-use used by the Group to calculate cash-generating units is derived from historical

information on estimated future revenue growth rates, gross profit margins, and operating expense ratios, with reference to future industrial economic trends. The recoverable amount calculated based on the above key assumptions is lower than the book value of goodwill. Thus, the Group recognized impairment losses of \$25,352 and \$12,057 in 2020 and 2019, respectively.

(12)Short-term borrowings

<u>Type of borrowings</u>	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit loans	\$ 1,340,000	0.75% ~ 1.05%	None
<u>Type of borrowings</u>	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit loans	\$ 274,000	0.98% ~ 1.90%	None

Interest expense recognized in profit or loss amounted to \$8,184 and \$5,340 for the years ended December 31, 2020 and 2019, respectively.

(13)Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payables	\$ 381,089	\$ 295,252
Payable on employees and director remuneration	80,658	36,191
Payable on equipment	146,904	58,026
Others	85,350	73,054
	\$ 694,001	\$ 462,523

(14)Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the

balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 14,033	\$ 12,739
Fair value of plan assets	<u>(2,663)</u>	<u>(2,409)</u>
	11,370	10,330
Unadjusted amount for the period	<u>(850)</u>	<u>(21)</u>
Net liability recognized in the balance sheet	<u>\$ 10,520</u>	<u>\$ 10,309</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2020			
At January 1	(\$ 12,739)	\$ 2,409	(\$ 10,330)
Current service cost	(314)	-	(314)
Interest (expense) income	<u>(88)</u>	<u>18</u>	<u>(70)</u>
	<u>(13,141)</u>	<u>2,427</u>	<u>(10,714)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	80	80
Change in financial assumptions	(524)	-	(524)
Experience adjustments	<u>(368)</u>	<u>-</u>	<u>(368)</u>
	<u>(892)</u>	<u>80</u>	<u>(812)</u>
Pension fund contribution	-	156	156
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>850</u>
At December 31	<u>(\$ 14,033)</u>	<u>\$ 2,663</u>	<u>(\$ 10,520)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2019			
At January 1	(\$ 11,614)	\$ 2,164	(\$ 9,450)
Current service cost	( 299)	-	( 299)
Interest (expense) income	<u>( 116)</u>	<u>21</u>	<u>( 95)</u>
	<u>( 12,029)</u>	<u>2,185</u>	<u>( 9,844)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	74	74
Change in financial assumptions	( 385)	-	( 385)
Experience adjustments	<u>( 325)</u>	<u>-</u>	<u>( 325)</u>
	<u>( 710)</u>	<u>74</u>	<u>( 636)</u>
Pension fund contribution	-	150	150
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>21</u>
At December 31	<u>(\$ 12,739)</u>	<u>\$ 2,409</u>	<u>(\$ 10,309)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31,	
	2020	2019
Discount rate	<u>0.30%</u>	<u>0.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on the fifth life experience table in Taiwan for the years ended 2020 and 2019.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 330)</u>	<u>\$ 341</u>	<u>\$ 296</u>	<u>(\$ 289)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 322)</u>	<u>\$ 332</u>	<u>\$ 292</u>	<u>(\$ 285)</u>

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$158.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	147
1-2 years		145
2-5 years		3,201
Over 5 years		<u>6,458</u>
	\$	<u>9,951</u>

- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New 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 lump sum upon termination of employment.
- (b) The Company’s subsidiaries, 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.
- (c) The Company’s mainland China subsidiaries, Elite Semiconductor Microelectronics Technology (Shenzhen) Inc. and Elite Semiconductor Microelectronics (Shanghai) Technology Inc., have 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 (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$31,867 and \$31,323, respectively.

(15)Share-based payment

- A. For the years ended December 31, 2020 and 2019, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Succeed to 2010 Eon Silicon Solution Inc.’s employee stock options	August 10, 2010, October 15, 2010 and January 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Succeed to 2013 Eon Silicon Solution Inc.’s employee stock options	August 19, 2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1: The accumulative proportion of the new shares 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.

Among the share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

Succeed to Eon Silicon Solution Inc.'s employee stock options:

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	543	\$ 59.2~303.4	621	\$ 62.3~319.0
Options forfeited	( 4)	217.4	( 78)	59.2~303.4
Options expired	( 21)	241.2~295.4	-	-
Options outstanding at December 31	<u>518</u>	\$ 57.6~217.4	<u>543</u>	\$ 59.2~303.4
Options exercisable at December 31	<u>518</u>		<u>543</u>	

C. No options exercised for the years ended December 31, 2020 and 2019, respectively.

D. As of December 31, 2020 and 2019, the range of exercise prices of stock options outstanding was \$57.6~\$217.4 and \$59.2~\$303.4 (in dollars), respectively; the weighted-average remaining contractual period was 2.64 years and 3.64 years, respectively.

E. Expenses incurred on share-based payment transactions for the years ended December 31, 2020 and 2019, were all \$0.

(16) Share capital

A. As of December 31, 2020, the Company's authorized capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,857,589 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares: thousand shares	
	2020	2019
Shares outstanding at January 1	272,320	272,320
Subsidiary acquired parent company's shares is regarded as treasury shares transaction	( 715)	-
Shares outstanding at December 31	271,605	272,320
Treasury shares at the end of the period	<u>14,154</u>	<u>13,439</u>
Shares issued at December 31	<u>285,759</u>	<u>285,759</u>

B. Treasury shares

The Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as of December 31, 2020 and 2019 due to the parent company's business strategy, were 14,154 thousand shares and 13,439



thousand shares, with carrying amounts of \$347,942 and \$328,048, respectively; the average book value per share were \$24.58 and \$24.41, and the fair value per share were \$64.70 and \$38.90.

(17)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2020				
	Changes in				
	Treasury share trans actions	ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ 1,661	\$ 94,949	\$ 3,913	\$ 3,782	\$104,305
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	1,146	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	5,925	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	-	( 1,781)	-	-	( 1,781)
Expired cash dividends transferred to capital surplus	-	-	-	82	82
At December 31	<u>\$ 1,661</u>	<u>\$ 100,239</u>	<u>\$ 3,913</u>	<u>\$ 3,864</u>	<u>\$109,677</u>

2019

	Changes in				
	Treasury share transactions	ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ 1,661	\$ 49,710	\$ 3,913	\$ 3,788	\$ 59,072
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	.	1,146	-	-	1,146
Disposal of subsidiaries	.	35,475	-	-	35,475
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	.	8,438	-	-	8,438
Change in associates and joint ventures accounted for under equity method	.	180	-	-	180
Expired cash dividends transferred to capital surplus	.	-	-	39	39
Adjustment of payments of expired cash dividends	.	-	-	(45)	(45)
At December 31	<u>\$ 1,661</u>	<u>\$ 94,949</u>	<u>\$ 3,913</u>	<u>\$ 3,782</u>	<u>\$104,305</u>

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following order:

- (a) Payment of all taxes and dues.
- (b) Offset against prior years' operating losses, if any.
- (c) Set aside 10% of remaining amount as legal reserve.
- (d) Setting aside a special reserve when necessary.
- (e) The remainder shall be stockholders' bonus, which will be appropriated in proportion or be retained shall be resolved by the stockholders at the stockholders' meeting.

B. Dividend policy

The Company is still in the growth stage, the appropriation of stockholders' bonus will be appropriated as cash, the remainder will be appropriated as shares when over 5%.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D.(a) In accordance with the regulations, the Company shall set aside special

reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate1010012865, dated 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.
- E. As approved by Board of Directors on March 18, 2019, the appropriations of 2018 earnings would be legal reserve \$70,651 and cash dividend \$428,638, constituting \$1.5(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 13, 2019.
- F. As approved by Board of Directors on March 20, 2020, the appropriations of 2019 earnings would be legal reserve \$49,804 and cash dividend \$285,759, constituting \$1(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 15, 2020.
- G. As approved by Board of Directors on February 26, 2021, the appropriations of 2020 earnings would be legal reserve \$107,724 and cash dividend \$2(in dollars) per share. Aforementioned appropriations had not yet been approved by stockholders' meeting.

(19)Operating revenue

	<u>Years ended December 31,</u>	
	2020	2019
Revenue from contracts with customers	<u>\$ 15,267,139</u>	<u>\$ 11,983,479</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Years ended				
December 31,2020	Domestic	Asia	Others	Total
Integrated circuits	<u>\$ 6,138,237</u>	<u>\$ 9,069,729</u>	<u>\$ 59,173</u>	<u>\$15,267,139</u>
Years ended				
December 31,2019	Domestic	Asia	Others	Total
Integrated circuits	<u>\$ 5,153,908</u>	<u>\$ 6,643,377</u>	<u>\$ 186,194</u>	<u>\$11,983,479</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities-advance sales receipts	<u>\$ 5,346</u>	<u>\$ 3,959</u>	<u>\$ 3,710</u>

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

	Years ended December 31,	
	2020	2019
Contract liabilities-advance sales receipts	<u>\$ 3,888</u>	<u>\$ 3,536</u>

(20) Interest revenue

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 25,594	\$ 45,955
Interest income from financial assets at amortized cost	1,207	2,420
Other interest income	<u>611</u>	<u>1,291</u>
	<u>\$ 27,412</u>	<u>\$ 49,666</u>

(21) Other income

	Years ended December 31,	
	2020	2019
Rent income	\$ 5,460	\$ 5,427
Dividend income	13,053	26,570
Other income, others	<u>7,992</u>	<u>8,503</u>
	<u>\$ 26,505</u>	<u>\$ 40,500</u>

(22) Other gains and losses

	Years ended December 31,	
	2020	2019
Gains arising from lease modifications	\$ 211	\$ -
Foreign exchange losses	( 50,665)	( 45,141)
Gains (Losses) on financial assets at fair value through profit or loss	132,628	( 8,727)
Impairment loss	( 25,352)	( 12,057)
Miscellaneous disbursements	<u>( 970)</u>	<u>( 970)</u>
	<u>\$ 55,852</u>	<u>\$ 66,895</u>

(23) Financial costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 8,184	\$ 5,340
Provisions for liabilities - unwinding of discount	1,412	1,291
Lease liability	<u>1,203</u>	<u>1,191</u>
Total of interest expense	<u>10,799</u>	<u>7,822</u>
Others	<u>728</u>	<u>1,018</u>
	<u>\$ 11,527</u>	<u>\$ 8,840</u>

(24) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	<u>\$ 1,183,477</u>	<u>\$ 943,207</u>
Depreciation charges on property, plant and equipment	<u>\$ 300,243</u>	<u>\$ 384,522</u>
Depreciation charges on right-of-use assets	<u>\$ 11,121</u>	<u>\$ 13,182</u>
Depreciation charges on investment property	<u>\$ 970</u>	<u>\$ 970</u>
Amortization charges on intangible assets	<u>\$ 111,556</u>	<u>\$ 85,108</u>

(25) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 1,061,353	\$ 839,534
Labor and health insurance fees	49,276	48,285
Pension costs	32,408	31,872
Director remuneration	17,232	7,549
Other personnel expenses	<u>23,208</u>	<u>15,967</u>
	<u>\$ 1,183,477</u>	<u>\$ 943,207</u>

A. In accordance with the Articles of Incorporation of the Company, the profit before income tax of the current year, before covering employees' compensation and directors' remuneration, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and 1% for directors'

remuneration.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$66,124 and \$29,970, respectively; while directors' remuneration was accrued at \$13,225 and \$5,994, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit for the years ended December 31, 2020.

For the years ended December 31, 2020 and 2019, employees' compensation of subsidiaries was accrued at \$14 and \$4, respectively; while directors' remuneration of subsidiaries was accrued at \$1,294 and \$223, respectively. The aforementioned amounts were recognized in salary expenses.

- C. The employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

- D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

- A. Income tax expense

- (a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 154,162	\$ 55,223
Tax on undistributed earnings	-	10,378
Prior year income tax underestimation	<u>7,025</u>	<u>316</u>
Total current tax	161,187	65,917
Deferred tax:		
Origination and reversal of temporary differences	<u>8,072</u>	<u>4,652</u>
Income tax expense	<u>\$ 169,259</u>	<u>\$ 70,569</u>

- (b) The income tax charge relating to components of other comprehensive income: None.

- (c) The income tax charged to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 276,096	\$ 108,571
Tax exempt income by tax regulation	( 23,866)	( 1,276)
Prior year income tax underestimation	7,025	316
Temporary differences not recognized as deferred tax assets	( 25,963)	( 14,855)
Taxable loss not recognized as deferred tax assets	1,058	-
Effect from investment tax credits	( 65,059)	-
Change in assessment of realization of deferred tax assets	( 23)	-
Not exceed the starting point of income tax	( 9)	-
Effect from tax exempt income	-	( 36,435)
Effect from Alternative Minimum Tax	-	3,870
Tax on undistributed earnings	-	10,378
Income tax expense	<u>\$ 169,259</u>	<u>\$ 70,569</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020			
	January 1	Recognized in		December 31
		profit or loss	Recognized in other comprehensive income	
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	153	195	-	348
Loss on market value decline and obsolete and slow-moving inventories	1,688	( 700)	-	988
Pension liability	61	20	-	81
Others	<u>2,224</u>	<u>124</u>	<u>-</u>	<u>2,348</u>
Subtotal	<u>4,174</u>	<u>( 361)</u>	<u>-</u>	<u>3,813</u>
-Deferred tax liabilities:				
Unrealized exchange gain	( 4,731)	( 3,202)	-	( 7,933)
Others	<u>-</u>	<u>( 4,509)</u>	<u>-</u>	<u>( 4,509)</u>
Subtotal	<u>( 4,731)</u>	<u>( 7,711)</u>	<u>-</u>	<u>( 12,442)</u>
Total	<u>(\$ 557)</u>	<u>(\$ 8,072)</u>	<u>\$ -</u>	<u>(\$ 8,629)</u>

	2019			
	January 1	Recognized in		December 31
		profit or loss	Recognized in other comprehensive income	
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	60	93	-	153
Loss on market value decline and obsolete and slow-moving inventories	2,545	( 857)	-	1,688
Pension liability	57	4	-	61
Others	<u>2,464</u>	<u>( 240)</u>	<u>-</u>	<u>2,224</u>
Subtotal	<u>5,174</u>	<u>( 1,000)</u>	<u>-</u>	<u>4,174</u>
-Deferred tax liabilities:				
Unrealized exchange gain	( 1,078)	( 3,653)	-	( 4,731)
Subtotal	<u>( 1,078)</u>	<u>( 3,653)</u>	<u>-</u>	<u>( 4,731)</u>
Total	<u>\$ 4,096</u>	<u>(\$ 4,653)</u>	<u>\$ -</u>	<u>(\$ 557)</u>



D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 362,221</u>	<u>\$ 381,968</u>

E. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary difference unrecognized as deferred tax liabilities were \$0.

F. The Company's products qualify for "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" and the Company is entitled to the income tax exemption for 5 consecutive years (ends on December, 2019).

G. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,076,426</u>	279,909	<u>\$ 3.85</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,295</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,076,426</u>	<u>281,204</u>	<u>\$ 3.83</u>

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 497,405</u>	280,133	<u>\$ 1.78</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,057</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 497,405</u>	<u>281,190</u>	<u>\$ 1.77</u>

Note: The employee stock options not calculate for years ended December 31, 2020 and 2019 due to the effect of anti-dilution.

(28) Transactions with non-controlling interest

- A. On March 30, 2020, April 28, 2020 and November 13, 2020 the Group acquired an additional shares of its subsidiary-Elite Silicon Technology Inc. for a total cash consideration of \$1,752, \$128 and \$33. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was \$119, \$12 and \$1 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$1,633, \$116 and \$32. The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the years ended December 31, 2020 and 2019 is shown below:

	Year ended December 31, 2020
Carrying amount of non-controlling interest acquired	\$ 132
Consideration paid to non-controlling interest	<u>(1,913)</u>
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 1,781)</u>

- B. The Group's subsidiary, Canyon Semiconductor Inc., increased its capital by issuing new shares on March 4, 2019. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest by 39.74%. And the Group acquired an additional shares of its subsidiary - Canyon Semiconductor Inc. on December 6, 2019. The transactions above decreased non-controlling

interest by \$2,533 and increased the equity attributable to owners of parent by \$35,475.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31,	
	2020	2019
Purchase of property, plant and equipment (including amount of transfer)	\$ 380,513	\$ 284,967
Add: Opening balance of payable on equipment	58,026	41,100
Less: Ending balance of payable on equipment	(146,904)	(58,026)
Cash paid during the period	<u>\$ 291,635</u>	<u>\$ 268,041</u>

B. Changes in liabilities from financing activities:

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 274,000	\$ -	\$ 86,887	\$ 9,871	\$ 370,758
Changes in cash flow from financing activities	1,066,000	150,476	(10,575)	(3,236)	1,202,665
Interest paid	-	-	(1,203)	-	(1,203)
Interest expense	-	-	1,203	-	1,203
Changes in other non-cash items	-	(720)	10,410	-	9,690
Changes from lease modifications	-	-	(5,085)	-	(5,085)
At December 31, 2020	<u>\$ 1,340,000</u>	<u>\$ 149,756</u>	<u>\$ 81,637</u>	<u>\$ 6,635</u>	<u>\$ 1,578,028</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2019	\$ 370,000	\$ 99,932	\$ 105,090	\$ 9,601	\$ 584,623
Changes in cash flow from financing activities	(96,000)	(99,932)	(12,525)	270	(208,187)
Interest paid	-	-	(1,332)	-	(1,332)
Interest expense	-	-	1,191	-	1,191
Changes in other non-cash items	-	-	229	-	229
Changes from lease modifications	-	-	(5,766)	-	(5,766)
At December 31, 2019	<u>\$ 274,000</u>	<u>\$ -</u>	<u>\$ 86,887</u>	<u>\$ 9,871</u>	<u>\$ 370,758</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Arima Lasers Corporation	The Company's subsidiary is this company's director
Canyon Semiconductor Inc.	Investee indirectly accounted for under equity method

### (2) Key management compensation

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 54,409	\$ 36,572
Post-employment benefits	432	432
Total	<u>\$ 54,841</u>	<u>\$ 37,004</u>

### 一、 Pledged Assets

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

<u>Assets item</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown as "other current assets and other non-current assets")	<u>\$ 3,969</u>	<u>\$ 3,969</u>	Guarantee deposits for lease of land

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

Information about the appropriations of earnings of the Company which had been approved by Board of Directors on February 26, 2021 is provided in Note 6(18).

## 12. Others

### (1) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans the demand of working capital, research and development expenses and dividends to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders, to take care of the benefit of other related parties, and to maintain an optimal capital structure, so as to promote shareholder value in the long-term.

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

The gearing ratios at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 13,000,348	\$ 10,480,320
Total liabilities	( 4,871,065)	( 3,139,541)
Total equity	<u>\$ 8,129,283</u>	<u>\$ 7,340,779</u>
Gearing ratio	<u>60%</u>	<u>43%</u>

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 365,474</u>	<u>\$ 252,593</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 64,836</u>	<u>\$ 50,776</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 3,597,917	\$ 2,757,003
Financial assets at amortized cost - current	136,704	140,906
Notes receivable	-	34
Accounts receivable	1,633,993	1,256,938
Other receivables	95,830	82,741
Time deposits (shown as "other current assets and other non-current assets")	3,969	3,969
Guarantee deposits paid (shown as "other non-current assets")	6,495	6,261
	<u>\$ 5,474,908</u>	<u>\$ 4,247,852</u>

	December 31, 2020	December 31, 2019
<u>Financial liabilities</u>		
Short-term borrowings	\$ 1,340,000	\$ 274,000
Short-term notes and bills payable	149,756	-
Notes payable	2,115	1,981
Accounts payable	2,396,158	2,225,909
Other payables	694,001	462,523
Guarantee deposits received (shown as “other non-current liabilities”)	6,635	9,871
	<u>\$ 4,588,665</u>	<u>\$ 2,974,284</u>
Lease liability	<u>\$ 81,637</u>	<u>\$ 86,887</u>

B. Financial risk management policies

- (a) The Group adopt comprehensive system of risk management and control to identify, measure and control all categories of risk, including market risk, credit risk, liquidity risk, and risk of cash flow, to make sure management is able to control and measure market risk, credit risk, liquidity risk, and risk of cash flow effectively.
- (b) In order to control all management objectives of market risk effectively, achieve optimal level of risk, maintain appropriate level of liquidity and collectively manage all market risks, the Group will take factors such as consideration for the overall economic environment, status of competition and market value risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The companies adopt forward foreign exchange contracts through the Group treasury to manage the foreign exchange risk from future commercial transactions and recognized assets and liabilities. The foreign exchange risk will exist when future commercial transactions and recognized assets and liabilities use the currency different from the functional currency of the companies.

III. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through deposits denominated in the relevant foreign currencies (see Note 6(1)).

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

<b>(Foreign currency: functional currency)</b>	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
	<u>Financial assets</u>		
<u>Monetary items</u>			
USD:NTD	\$ 154,117	28.480	\$ 4,389,252
RMB:NTD	181,116	4.377	792,745
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,522	28.480	\$ 1,438,867
JPY:NTD	67,255	0.276	18,583

<b>(Foreign currency: functional currency)</b>	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
	<u>Financial assets</u>		
<u>Monetary items</u>			
USD:NTD	\$ 120,486	29.980	\$ 3,612,170
RMB:NTD	56,049	4.305	241,291
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 47,708	29.980	\$ 1,430,286

V. The total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$50,665 and \$45,141, respectively.

VI. Analysis of foreign currency market risk arising from significant foreign exchange variation:

<b>(Foreign currency: functional currency)</b>	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 43,893	\$ -
RMB:NTD	1%	7,927	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 14,389)	\$ -
JPY:NTD	1%	( 186)	-

<b>(Foreign currency: functional currency)</b>	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 36,127	\$ -
RMB:NTD	1%	2,413	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 14,303)	\$ -

Price risk

- I. The Group's equity securities, which are exposed to price risk, are the held financial assets 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 securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- II. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity



securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$36,547 and \$25,259, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$6,484 and \$5,078, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

The Group's main interest rate risk arises from short-term borrowings and short-term notes and bills payable. Borrowings with floating rates expose the Group to cash flow interest rate risk, but the majority of risk offset by cash and cash equivalents with floating rates. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group doesn't have significant risk of change of interest rate due to borrowings with floating rates are all shorter than one year.

#### (b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortized cost and debt instruments at fair value through profit or loss.
- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only these with high rating are accepted. 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, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- IV. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since 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.
- V. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- VI. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- VII. The financial assets at amortized cost including time deposits, repurchase bonds and restricted time deposits. The banks are with high rating and don't past due before. In addition to the above, the whole economic environment doesn't change significant, so the risk of credit risk is low and the effect to financial statement is insignificant.
- VIII. The information about ageing analysis and collaterals of accounts receivable is provide in Note6(4). The Group request significant clients provide collaterals and other right of guarantee, therefore, the Group classifies customer's accounts receivable in accordance with the nature of collaterals. The applies the simplified approach using loss rate methodology to estimate expected credit loss. In summary, the allowance for losses which the Group should recognize is minor at December 31, 2020 and 2019.
- IX. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2020	2019
At January 1	\$ 14,295	\$ 4,289
Provision for impairment	-	10,006
Reversal of impairment	( 8,582)	-
At December 31	<u>\$ 5,713</u>	<u>\$ 14,295</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- II. Surplus cash held by the operating entities over and above balance required for working capital management should invest surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as

determined by the above-mentioned forecasts.

III. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative 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:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,340,000	\$ -	\$ -
Short-term notes and bills payable	149,756	-	-
Notes payable	2,115	-	-
Accounts payable	2,396,158	-	-
Other payables	694,001	-	-
Lease liability	12,224	26,569	52,635
Guarantee deposits received	-	-	6,635

Derivative financial liabilities: None.

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 274,000	\$ -	\$ -
Notes payable	1,981	-	-
Accounts payable	2,225,909	-	-
Other payables	462,523	-	-
Lease liability	12,685	28,440	56,605
Guarantee deposits received	-	-	9,871

Derivative financial liabilities: None.

**(3) Fair value information**

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which 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 Group's investment in listed stocks, beneficiary certificates and debt securities is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of

the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(9).
- C. Financial instruments not measured at fair value of the Group including cash and cash equivalents, time deposit (over 3 months), notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable and other payables, lease liabilities (current and non-current) and guarantee deposits received are approximate to their fair values.
- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:
- (a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$214,924	\$ 2,506	\$ 4,917	\$222,347
Beneficiary certificates	91,737	-	-	91,737
Debt securities	51,390	-	-	51,390
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	64,836	64,836
	<u>\$358,051</u>	<u>\$ 2,506</u>	<u>\$ 69,753</u>	<u>\$430,310</u>
Financial liabilities: None.				

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or 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.				

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

II. 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.

III. 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 accordingly with 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.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Equity securities	
	2020	2019
At January 1	\$ 85,953	\$ 66,115
Acquired in the period	-	18,850
Transfers out from level 3	( 26,157)	-
Valuation adjustment	9,957	988
At December 31	\$ 69,753	\$ 85,953

G. Because M3 Technology Inc. and Powerchip Semiconductor

Manufacturing Corporation started their transaction in Emerging Stock Market from November,2020 and December,2020, and there is sufficient observable market information available, the Group has transferred the fair value from Level 3 into Level 1 at the end of the month when the event occurred.

- H. Accounting segment 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.
- I. 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:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 4,917	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	64,836	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 20,027	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	50,776	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	15,150	Most recent deal price	Not applicable	Not applicable	Not applicable

- J. 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 and liabilities categorized within Level 3 if the inputs used to

valuation models have changed:

			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets Equity instrument	Discount for lack of marketability	±10%	<u>\$ 211</u>	<u>(\$ 211)</u>	<u>\$4,322</u>	<u>(\$4,322)</u>
			December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets Equity instrument	Discount for lack of marketability	±10%	<u>\$ 858</u>	<u>(\$ 858)</u>	<u>\$3,384</u>	<u>(\$3,384)</u>

(4) Others

As of the reported date, the Company has assessed that COVID-19 has no adverse impact on the Company's overall operating activities and financial statements. However, the Company will continue to pay attention to the development of the COVID-19 and its impact on the overall economic environment.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods:

Please refer to table 2.

(2)Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3)Information on investments in Mainland China

A. Investee accounted for under the equity method of the Company, Elite Semiconductor (B.V.I.) Limited, which has been approved to establish Shanghai offices in Mainland China by Investment Commission of MOEA on June 18, 2009. The Shanghai office indirectly established by the Company was approved for cancellation by the Investment Commission of MOEA on November 17, 2020.

B. Basic information: Please refer to table 4.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4)Major shareholders information

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

14.Operating Segment Information

(1)General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2)Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
Revenue from external customers	<u>\$ 15,267,139</u>	<u>\$ 11,983,479</u>
Segment income before income tax	<u>\$ 1,253,700</u>	<u>\$ 576,180</u>
	December 31, 2020	December 31, 2019
Segment assets	<u>\$ 13,000,348</u>	<u>\$ 10,480,320</u>
Segment liabilities	<u>\$ 4,871,065</u>	<u>\$ 3,139,541</u>

(3)Reconciliation for segment income (loss): None.

(4)Information on products and services

As of December 31, 2020 and 2019 the net operating revenue of integrated circuit and electronic materials is \$15,267,139 and \$11,983,479.



(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic	\$ 6,138,237	\$ 1,046,111	\$ 5,153,908	\$ 874,235
Asia	9,069,729	-	6,643,377	-
Others	<u>59,173</u>	<u>9,194</u>	<u>186,194</u>	<u>14,587</u>
Total	<u>\$ 15,267,139</u>	<u>\$ 1,055,305</u>	<u>\$ 11,983,479</u>	<u>\$ 888,822</u>

(6) Major customer information

	Years ended December 31,			
	2020		2019	
	Revenue	Segment	Revenue	Segment
A Company	\$ 3,430,386	The Group	\$ 2,724,676	The Group

## Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

## Holding of marketable securities at the end of the period

December 31, 2020

Table 1

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Securities held by	Name and category of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value (Note)	Ownership(%)	Fair value (Note)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	The Company's subsidiary is this company's director	Financial assets at fair value through profit or loss	3,455,000	\$ 72,209	12.26	\$ 72,209	
Elite Semiconductor Microelectronics Technology Inc.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	348	0.00	348	
Elite Semiconductor Microelectronics Technology Inc.	HSBC FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	1,000,000	25,192	Not applicable	25,192	
Elite Semiconductor Microelectronics Technology Inc.	ANZ FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	500,000	11,895	Not applicable	11,895	
Elite Semiconductor Microelectronics Technology Inc.	BGF RENMINBI BOND FUND	None	Financial assets at fair value through profit or loss	127,986	58,904	Not applicable	58,904	
Elite Semiconductor Microelectronics Technology Inc.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	32,418	8.06	32,418	
Elite Investment Services Ltd.	HSBC HLDG S PLC 6.20 PCT PREF SHARE SERIES A	None	Financial assets at fair value through profit or loss	20,000	14,303	Not applicable	14,303	
Elite Investment Services Ltd.	HSBC ALL CHINA BOND FUND - AC (2802)	None	Financial assets at fair value through profit or loss	600,000	32,833	Not applicable	32,833	
Charng Feng Investment Ltd.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	348	0.00	348	
Charng Feng Investment Ltd.	Arima Lasers Corporation stock	None	Financial assets at fair value through profit or loss	907,000	18,956	3.22	18,956	
Charng Feng Investment Ltd.	Ushine Photonics Corporation stock	None	Financial assets at fair value through profit or loss	115,519	797	0.41	797	
Charng Feng Investment Ltd.	Brightek Optoelectronic Corporation Ltd. stock	None	Financial assets at fair value through profit or loss	65,601	1,709	0.15	1,709	
Charng Feng Investment Ltd.	M3 Technology Inc. stock	None	Financial assets at fair value through profit or loss	433,000	48,063	1.18	48,063	
Charng Feng Investment Ltd.	M2 Communication Inc. stock	None	Financial assets at fair value through profit or loss	2,000,000	4,917	7.89	4,917	
Charng Feng Investment Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit or loss	1,500,000	75,000	0.05	75,000	
Charng Feng Investment Ltd.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	32,418	8.06	32,418	
Jie Yong Investment Ltd.	Elite Semiconductor Microelectronics Technology Inc. stock	Parent company	Financial assets at fair value through other comprehensive income	14,154,000	915,764	4.95	915,764	

Note: Valuation adjustment of financial assets and cumulative translation differences are included.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2020

Table 2

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	(1)	Research and development expenses	\$ 76,375	Note 4	0.50%
0	Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	(1)	Other revenue	48,000	Note 4	0.31%

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

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end 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 terms are decided by the two parties through negotiation.

Note 5: Only transactions with related parties of NT\$25 million or more are disclosed, and transactions with related parties will not be disclosed separately.

Note 6: The transaction between parent company to subsidiary and subsidiaries were eliminated when preparing consolidated financial statements.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Information on investees (exclude investee in Mainland China)  
Year ended December 31, 2020

Table 3

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Foot note
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Taiwan	Research and development, production, sales and related consulting services of integrated circuit	\$ 272	\$ 272	100,000	100	\$ 24,236	\$ 9,712	\$ 9,712	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General investment	500,000	500,000	50,000,000	100	511,029	112,211	111,110	Note 2
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General investment	427,200	427,200	15	100	620,500	( 7,222)	( 7,222)	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	British Virgin Islands	General investment	-	142,400	-	-	-	( 7,220)	( 7,220)	Note 3
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	Taiwan	General investment	270,000	270,000	3,600,000	41.86	136,983	13,823	( 138)	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	U.S.A.	Investigation and research of business situation and industrial technology	13,304	13,304	200,000	100	( 1,411)	( 240)	( 240)	
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	21,953	( 567)	( 567)	
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	61,201	59,288	7,448,960	98.01	528	( 154)	( 154)	
Charng Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, manufacturing of electronic components, product design and information software services	80,337	80,337	8,350,000	40.93	33,883	1,642	673	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Foot note
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
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	\$ 2,111	\$ 2,111	\$ 200	100	2,195	\$ 116	\$ 116	
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Hong Kong	Trading	367	-	10,000	100	367	( 4)	( 4)	Note 4

Note 1: The foreign investment amount translated at the exchange rate as of December 31, 2020.

Note 2: The investment income/loss has been adjusted the unrealized gain/loss of upstream transactions.

Note 3: Elite Semiconductor (B.V.I.) Ltd. obtained a liquidated certificate from local regulatory authority on February 9, 2021, and obtained a liquidated letter from Investment Commission of MOEA on February 20, 2021.

Note 4: CHI Microelectronics Limited. was established on August 31, 2020. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of HKD 100,000 approved by the Investment Commission of MOEA on December 11, 2020.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2020

Table 4

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as at January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2020	Net income (loss) of the investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as at December 31, 2020	Accumulated amount of investment income remittance back to Taiwan as at December 31, 2020	Foot note
					Remitted to Mainland China	Remitted back to Taiwan							
Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after-sales service	\$ 2,549	(1)	\$ -	\$1,424	\$ -	\$ 1,424	\$ 1,224	100	\$ 1,224	\$ 4,619	\$ -	
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	5,696	(1)	-	5,696	-	5,696	581	100	581	6,633	-	Note 6

Company name	Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2020	Investment amount approved by the Investment Commission of MOEA (Note 5)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Charng Feng Investment Ltd.	\$ 7,120	\$ 78,021	\$ 300,000

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through companies registered in a third region.
- (3) Other methods.

Note 2: Investment income (loss) was recognized based on financial statement prepared by each company which were audited by independent auditors.

Note 3: The amount of the statement should show as New Taiwan Dollars.

Note 4: Paid-in capital translated at the exchange rate as of December 31, 2020.

Note 5: The Company's subsidiary, Charng Feng Investment Ltd., obtained the revised investment amount of USD 39,485.42 and USD 2,500,000 approved by the Investment Commission, MOEA on February 6, 2020 and July 10, 2020.

Note 6: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA on May 20, 2020.

V. Financial Report of the Company audited and attested by CPAs for the most recent financial year.

Independent Auditors' Report

(2021) Finance-Audit-Letter No.20003729

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

***Opinion***

We have audited the accompanying parent company only balance sheets of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Elite Semiconductor Microelectronics Technology Inc. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audit reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Elite Semiconductor Microelectronics Technology Inc. parent company only financial statements of the current period are stated as follows:

#### **Evaluation of inventories**

##### **Description**

Refer to Note 4 (13) for the accounting policies on the evaluation of inventories, Note 5 (2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Note 6 (5) for the Details of inventory. As at December 31,2020, the inventory and allowance for inventory valuation loss amounted to NT\$6,068,415 thousand and NT\$98,771 thousand. Elite Semiconductor Microelectronics Technology Inc is primarily engaged in research, development, production, manufacture, and sales of integrated circuit. Elite Semiconductor Microelectronics Technology Inc evaluates inventories stated at lower of cost and net realizable value. Since the evaluation of net realizable value of the inventories exceed specific period and obsolete inventories is subject to management's judgment and uncertainty of estimations. Consequently, we consider the evaluation of inventories as a key audit matter.

##### **How our audit addressed the matter**

We have performed primary audit procedures for the above key audit matter included assessed the rationality of policy and procedure on allowance for inventory valuation loss based on our understanding of Elite Semiconductor Microelectronics Technology Inc.'s operations and industry, the historical data of product marginalization in the market and judged the rationality of obsolete inventories. We inspected the appropriateness of inventory aging report to confirm the consistency of report and policy, selected samples to compare the historical data of product marginalization in the market which determine the net realizable value of the obsolete inventories and net realizable value of the obsolete inventories to assessed the rationality of the allowance for inventory valuation loss.



***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing Elite Semiconductor Microelectronics Technology Inc.'s financial reporting process.

***Auditor's responsibilities for the audit of the parent company only financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- G. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- H. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Elite Semiconductor Microelectronics Technology Inc.'s internal control;
- I. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- J. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Elite Semiconductor Microelectronics Technology Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Elite Semiconductor Microelectronics Technology Inc. to cease to continue as a going concern;
- K. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- L. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Elite Semiconductor Microelectronics Technology Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of parent company only audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Assets		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Unit: NT\$ thousand						
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,719,155	21	\$ 1,817,377	17
1110	Financial assets at fair value through profit or loss - current	6(2)	168,548	1	150,841	2
1136	Financial assets at amortized cost - current		136,704	1	140,906	1
1150	Notes receivable, net		-	-	34	-
1170	Accounts receivable, net	6(4)	1,505,780	12	1,160,173	11
1200	Other receivables	7(2)	94,611	1	79,745	1
130X	Inventories	6(5)	5,969,644	46	4,968,524	48
1410	Prepayments		23,477	-	21,863	-
1470	Other current assets	8	5,183	-	6,602	-
11XX	<b>Total current assets</b>		<u>10,623,102</u>	<u>82</u>	<u>8,346,065</u>	<u>80</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	32,418	-	25,388	-
1550	Investment accounted for under the equity method	6(6)	1,291,337	10	1,225,036	12
1600	Property, plant and equipment	6(7)	776,013	6	695,067	6
1755	Right-of-use assets	6(8)	72,090	-	72,798	1
1760	Investment property, net	6(9)	17,701	-	18,671	-
1780	Intangible assets	6(10)(11)	111,688	1	81,177	1
1840	Deferred income tax assets	6(26)	3,813	-	4,174	-
1900	Other non-current assets	8	77,055	1	10,357	-
15XX	<b>Total non-current assets</b>		<u>2,382,115</u>	<u>18</u>	<u>2,132,668</u>	<u>20</u>
1XXX	<b>Total assets</b>		<u>\$ 13,005,217</u>	<u>100</u>	<u>\$ 10,478,733</u>	<u>100</u>

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Unit: NT\$ thousand						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12)	\$ 1,340,000	10	\$ 270,000	3
2110	Short-term notes and bills payable		149,756	1	-	-
2130	Contract liabilities - current	6(19)	5,336	-	3,949	-
2150	Notes payable		2,115	-	1,890	-
2170	Accounts payable		2,281,658	18	2,134,680	20
2200	Other payables	6(13)	688,630	5	450,874	4
2230	Current income tax liabilities		147,677	1	39,960	1
2280	Lease liabilities - current		6,368	-	6,695	-
2300	Other current liabilities		9,250	-	4,325	-
21XX	<b>Total current liabilities</b>		<b>4,630,790</b>	<b>35</b>	<b>2,912,373</b>	<b>28</b>
<b>Non-current liabilities</b>						
2550	Provisions - non-current		16,495	-	15,083	-
2570	Deferred income tax liabilities	6(26)	12,442	-	4,731	-
2580	Lease liabilities – non-current		66,561	1	66,540	1
2600	Other non-current liabilities	6(14)	14,886	-	18,546	-
25XX	<b>Total non-current liabilities</b>		<b>110,384</b>	<b>1</b>	<b>104,900</b>	<b>1</b>
2XXX	<b>Total liabilities</b>		<b>4,741,174</b>	<b>36</b>	<b>3,017,273</b>	<b>29</b>
<b>Equity</b>						
Share capital						
3110	Common stock	6(16)	2,857,589	22	2,857,589	27
Capital surplus						
3200	Capital surplus	6(17)	109,677	1	104,305	1
Retained earnings						
3310	Legal reserve	6(18)	1,409,039	11	1,359,235	13
3320	Special reserve		8,524	-	-	-
3350	Unappropriated retained earnings		4,019,327	31	3,286,176	31
Other equity interest						
3400	Other equity interest		5,536	-	( 8,524)	-
3500	Treasury shares	6(16)	( 145,649)	( 1)	( 137,321)	( 1)
3XXX	<b>Total equity</b>		<b>8,264,043</b>	<b>64</b>	<b>7,461,460</b>	<b>71</b>
Significant Events after the End		11				

(Continue)

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$ thousand

	of the Balance Sheet Date						
3X2X	<b>Total liabilities and equity</b>	\$	<u>13,005,217</u>	<u>100</u>	\$	<u>10,478,733</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Parent Company Only Statements of Comprehensive Income  
Years ended December 31, 2020 and 2019

Unit: NTS thousand  
(Except earnings per share)

	Items	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	6(19) 7(2)	\$ 15,252,723	100	\$ 11,964,770	100
5000	Operating costs	6(5) (24) (25) 7(2)	( 12,675,087)	( 83)	( 10,219,721)	( 85)
5900	Gross profit		<u>2,577,636</u>	<u>17</u>	<u>1,745,049</u>	<u>15</u>
5950	Gross profit - net		<u>2,577,636</u>	<u>17</u>	<u>1,745,049</u>	<u>15</u>
	Operating expenses	6(24) (25)				
6100	Selling expenses	7(2)	( 273,154)	( 2)	( 200,427)	( 2)
6200	Administrative expenses		( 276,844)	( 2)	( 228,753)	( 2)
6300	Research and development expenses	7(2)	( 935,087)	( 6)	( 726,964)	( 6)
6450	Expected credit impairment gain (loss)	12(2)	<u>8,582</u>	<u>-</u>	<u>( 10,006)</u>	<u>-</u>
6000	Total operating expenses		<u>( 1,476,503)</u>	<u>( 10)</u>	<u>( 1,166,150)</u>	<u>( 10)</u>
6900	Operating profit		<u>1,101,133</u>	<u>7</u>	<u>578,899</u>	<u>5</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	17,540	-	27,979	-
7010	Other income	6(21) 7(2)	64,940	-	50,718	-
7020	Other gains or losses	6(22)	( 35,218)	-	( 55,191)	-
7050	Financial costs	6(23)	( 11,308)	-	( 8,715)	-
7070	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	<u>106,002</u>	<u>1</u>	<u>( 30,257)</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>141,956</u>	<u>1</u>	<u>( 15,466)</u>	<u>-</u>
7900	<b>Profit before income tax</b>		<u>1,243,089</u>	<u>8</u>	<u>563,433</u>	<u>5</u>
7950	Income tax expenses	6(26)	( 166,663)	( 1)	( 66,028)	( 1)
8200	<b>Profit for the period</b>		<u>\$ 1,076,426</u>	<u>7</u>	<u>\$ 497,405</u>	<u>4</u>
	<b>Other comprehensive income (loss) - net</b>					
	<b>Items not reclassified to profit or loss</b>					
8311	Gain on remeasurements of defined benefit plans	6(14)	\$ 812	-	\$ 636	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	7,030	-	( 4,262)	-
8330	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method - items not reclassified to profit or loss		<u>7,030</u>	<u>-</u>	<u>( 4,262)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss) - net</b>		<u>\$ 14,872</u>	<u>-</u>	<u>( \$ 7,888)</u>	<u>-</u>
8500	<b>Total comprehensive income for the period</b>		<u>\$ 1,091,298</u>	<u>7</u>	<u>\$ 489,517</u>	<u>4</u>
	Basic earnings per share	6(27)				
9750	Basic earnings per share		<u>\$ 3.85</u>		<u>\$ 1.78</u>	
	Diluted earnings per share	6(27)				
9850	Diluted earnings per share		<u>\$ 3.83</u>		<u>\$ 1.77</u>	

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Parent Company Only Statements of Changes in Equity  
Years ended December 31, 2020 and 2019

Unit: NTS thousand

	Note	Retained earnings				Unappropriated retained earnings	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve				
<b>2019</b>									
Balance at January 1, 2019		\$ 2,857,589	\$ 59,072	\$ 1,288,584	\$ 194,377	\$ 3,093,047	\$ -	(\$ 137,321 )	\$ 7,355,348
Profit for the period		-	-	-	-	497,405	-	-	497,405
Other comprehensive income for the period		-	-	-	-	636	( 8,524 )	-	( 7,888 )
Comprehensive income for the period		-	-	-	-	498,041	( 8,524 )	-	489,517
Distribution of 2018 earnings	6(18)	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	70,651	-	( 70,651 )	-	-	-
Cash dividends of ordinary share		-	-	-	-	( 428,638 )	-	-	( 428,638 )
Reversal of special reserve		-	-	-	( 194,377 )	194,377	-	-	-
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146
Disposal of subsidiaries	6(17)	-	35,475	-	-	-	-	-	35,475
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	8,438	-	-	-	-	-	8,438
Change in associates and joint ventures accounted for under equity method	6(17)	-	180	-	-	-	-	-	180
Expired cash dividends transferred to capital surplus	6(17)	-	39	-	-	-	-	-	39
Adjustment of payments of expired cash dividends	6(17)	-	( 45 )	-	-	-	-	-	( 45 )
Balance at December 31, 2019		<u>\$ 2,857,589</u>	<u>\$ 104,305</u>	<u>\$ 1,359,235</u>	<u>\$ -</u>	<u>\$ 3,286,176</u>	<u>(\$ 8,524 )</u>	<u>(\$ 137,321 )</u>	<u>\$ 7,461,460</u>
<b>2020</b>									
Balance at January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524 )	(\$ 137,321 )	\$ 7,461,460
Profit for the period		-	-	-	-	1,076,426	-	-	1,076,426
Other comprehensive income for the period		-	-	-	-	812	14,060	-	14,872
Comprehensive income for the period		-	-	-	-	1,077,238	14,060	-	1,091,298
Distribution of 2019 earnings	6(18)	-	-	-	-	-	-	-	-
Legal reserve appropriated		-	-	49,804	-	( 49,804 )	-	-	-
Cash dividends of ordinary share		-	-	-	-	( 285,759 )	-	-	( 285,759 )
Special reserve appropriated		-	-	-	8,524	( 8,524 )	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	( 8,328 )	( 8,328 )
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(17)	-	1,146	-	-	-	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(17)	-	5,925	-	-	-	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	6(17)	-	( 1,781 )	-	-	-	-	-	( 1,781 )
Expired cash dividends transferred to capital surplus	6(17)	-	82	-	-	-	-	-	82
Balance at December 31, 2020		<u>\$ 2,857,589</u>	<u>\$ 109,677</u>	<u>\$ 1,409,039</u>	<u>\$ 8,524</u>	<u>\$ 4,019,327</u>	<u>\$ 5,536</u>	<u>(\$ 145,649 )</u>	<u>\$ 8,264,043</u>

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu



Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

Unit: NT\$ thousand

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 1,243,089	\$ 563,433
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7) (8) (9) (24)	306,407	392,093
Amortization	6(10) (24)	111,401	84,226
Expected credit impairment loss (gain)	12(2)	( 8,582 )	10,006
Net loss (gain) on financial assets at fair value through profit or loss	6(2) (22)	( 17,707 )	19,145
Interest expenses	6(23)	11,308	8,715
Interest income	6(20)	( 17,540 )	( 27,979 )
Dividend income	6(21)	( 3,473 )	( 11,498 )
Impairment loss	6(10) (11) (22)	25,352	12,057
Share of (loss) profit of associates and joint ventures accounted for under equity method		( 106,002 )	30,257
Gains arising from lease modifications	6(22)	( 91 )	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		-	40,915
Notes receivable		34	( 34 )
Accounts receivable		( 337,025 )	( 110,776 )
Other receivables		( 15,468 )	( 6,889 )
Inventories		( 1,001,120 )	796,007
Prepayments		( 1,614 )	52,706
Other current assets		( 2,550 )	( 3,844 )
Net changes in liabilities relating to operating activities			
Notes payable		225	90
Accounts payable		146,978	283,737
Contract liabilities - current		1,387	1,509

(Continue)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

	Notes	2020		2019
Other payables		148,355	(	53,299 )
Other current liabilities		4,925		509
Other non-current liabilities		386		392
Cash inflow generated from operations		488,675		2,081,478
Interest received		18,142		27,053
Interest paid		( 10,093 )	(	7,388 )
Income taxes paid		( 50,874 )	(	151,522 )
Net cash flows from operating activities		445,850		1,949,621

Unit: NT\$ thousand

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

Unit: NTS thousand  
2019

	Notes	2020	2019
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 140,157 )	(\$ 140,906 )
Disposal of financial assets at amortized cost		144,359	-
Proceeds from capital withdrawal from liquidation of subsidiaries		19,408	42,782
Acquisition of property, plant and equipment	6(28)	( 291,692 )	( 268,048 )
(Increase) decrease in prepayments for equipment		( 62,673 )	52,996
Acquisition of intangible assets	6(10)	( 167,264 )	( 44,832 )
(Increase) Decrease in guarantee deposit paid		( 56 )	340
Dividends received		27,760	32,538
Net cash flows from investing activities		<u>( 470,315 )</u>	<u>( 325,130 )</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(28)	1,070,000	( 100,000 )
Increase (decrease) in short-term notes and bills payable	6(28)	150,476	( 99,932 )
Lease principal repayment	6(28)	( 5,320 )	( 7,956 )
(Decrease) Increase in guarantee deposit received	6(28)	( 3,236 )	110
Cash dividends paid	6(18)	( 285,759 )	( 428,638 )
Expired cash dividends	6(17)	82	39
Payments of expired cash dividends	6(17)	-	( 45 )
Net cash flows from (used in) financing activities		<u>926,243</u>	<u>( 636,422 )</u>
Net (decrease) increase in cash and cash equivalents		901,778	988,069
Cash and cash equivalents at beginning of period	6(1)	<u>1,817,377</u>	<u>829,308</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 2,719,155</u>	<u>\$ 1,817,377</u>

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc.  
Notes to the Parent Company Only Financial Statements  
Years Ended December 31, 2020 and 2019

Unit: NT\$ thousand  
(Unless otherwise indicated)

1. History and Organization

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

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

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were reported to the Board of Directors on February 26, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) 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:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, “Disclosure Initiative - Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest rate benchmark reform”	January 1, 2020
Amendments to IFRS 16, “Covid-19-Related Rent Concessions”	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021

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

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

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

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 3, “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 16, “Property, Plant and Equipment -Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37, “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent

company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1)Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2)Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivatives instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3)Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other

comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

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

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date

accounting.

- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8)Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are



those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9)Accounts and notes receivable

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

(10)Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11)Derecognition of financial assets

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

(12)Operating leases(lessee)

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

(13)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14)Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are entities controlled by the Company (including structured entities). The Company controls the entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. All unrealized profit or loss resulting from transactions between the Company and its subsidiaries have been eliminated in full. Accounting policies of subsidiaries have been adjusted when necessary in order to be consistent with those of the Company.
- C. The Company's share of profit or loss in subsidiaries after acquisition is recognized in profit or loss, whereas its share of other comprehensive income in subsidiaries after acquisition is recognized in other

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

recognized in profit or loss.

- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- L. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss of the period and other comprehensive income presented in parent company only financial statements shall be the same as the allocations of profit or loss of the period and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows

Buildings and structures	3~20 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Other	3~10 years

(16) Leasing arrangements (lessee)– right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of Fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term.

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

The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost. The cost is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

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

(18) Intangible assets

A. Patent and technical skill, customer relationship

Separately acquired patent is stated at historical cost. Patent and technical skill, customer relationship acquired in a business combination are recognized at fair value at the acquisition date and amortized on a straight-line basis over their estimated useful lives of 3 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets, mainly computer software, are stated at cost and amortized on a straight-line basis over their estimated useful lives of 1 ~ 3

years.

(19) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) Notes and accounts payable

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

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

Provisions of decommissioning are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to

settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting

conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26)Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- F. If a change in tax rate is enacted, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on

items recognized in profit or loss is recognized in profit or loss.

(27)Share capital

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

(28)Dividends

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

(29)Revenue recognition

- A. The Group manufactures and sells integrated circuit. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The Group accepts sales orders from customers. Sales revenue is recognized according to the contract price, and the Group transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Group has not adjusted the monetary time value of the transaction price.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption  
Uncertainty

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



(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2020, the carrying amount of inventories was \$5,969,644.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 115	\$ 115
Checking accounts and demand deposits	879,139	343,791
Time deposits	<u>1,839,901</u>	<u>1,473,471</u>
	<u>\$ 2,719,155</u>	<u>\$ 1,817,377</u>

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stock	\$ 286	\$ 286
Emerging stocks	115,673	115,673
Beneficiary certificates	45,465	45,465
Bonds	<u>31,226</u>	<u>31,226</u>
Subtotal	192,650	192,650
Valuation adjustment	<u>(24,102)</u>	<u>(41,809)</u>
Total	<u>\$ 168,548</u>	<u>\$ 150,841</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 9,300	(\$ 24,397)
Debt instruments	2,991	2,750
Beneficiary certificates	<u>5,416</u>	<u>2,502</u>
Total	<u>\$ 17,707</u>	<u>(\$ 19,145)</u>

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk is provided in Note 12(2)C(b).

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

Item	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Unlisted stock	\$ 29,650	\$ 29,650
Valuation adjustment	<u>2,768</u>	<u>(4,262)</u>
	<u>\$ 32,418</u>	<u>\$ 25,388</u>

The Company has elected to classify equity investments that are considered to strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$32,418 and \$25,388 as at December 31, 2020 and 2019, respectively.

(4) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable - general customers	\$ 1,510,520	\$ 1,174,227
Accounts receivable - related parties	<u>973</u>	<u>241</u>
	1,511,493	1,174,468
Less: Allowance for losses	<u>(5,713)</u>	<u>(14,295)</u>
	<u>\$ 1,505,780</u>	<u>\$ 1,160,173</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 1,505,780	\$ 1,159,935
Past due-within 30 days	-	238
Past due-31-90 days	-	-
Past due-91-180 days	-	-
Past due-over 180 days	<u>5,713</u>	<u>14,295</u>
	<u>\$ 1,511,493</u>	<u>\$ 1,174,468</u>

The above aging analysis was based on past due date.

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,505,780 and \$1,160,173, respectively.

C. The collaterals and fair value held by the Group as guarantee for accounts receivable are as follows:

	December 31, 2020	December 31, 2019
Bank guarantee	\$ 33,044	\$ 43,494
Pledged certificate of deposit	4,272	7,500
Guarantee deposits received (shown as "other non-current liabilities")	5,526	8,794
Letters of credit	760,162	546,672
Company promissory note/check	<u>555,221</u>	<u>366,621</u>
	<u>\$ 1,358,225</u>	<u>\$ 973,081</u>

D. Information relating to credit risk is provided in Note 12(2).

E. As at December 31, 2020 and 2019, accounts receivable were all from contracts with customers. As at January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,059,404.

F. The Group has no accounts receivable pledged to others as collateral.

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 138,104	(\$ 10,726)	\$ 127,378
Work in progress	4,724,546	( 20,266)	4,704,280
Finished goods	1,199,284	( 67,779)	1,131,505
Inventory in transit	<u>6,481</u>	<u>-</u>	<u>6,481</u>
Raw materials	<u>\$ 6,068,415</u>	<u>(\$ 98,771)</u>	<u>\$ 5,969,644</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 156,518	(\$ 9,794)	\$ 146,724
Work in progress	4,013,286	( 70,663)	3,942,623
Finished goods	963,140	( 88,305)	874,835
Inventory in transit	<u>4,342</u>	<u>-</u>	<u>4,342</u>
	<u>\$ 5,137,286</u>	<u>(\$ 168,762)</u>	<u>\$ 4,968,524</u>

The Group recognized as expense or loss:

	Year ended December 31,	
	2020	2019
Cost of goods sold	\$ 12,745,078	\$ 10,305,310
Reversal of allowance on market value decline and obsolete and slow-moving inventories	<u>( 69,991)</u>	<u>( 85,589)</u>
	<u>\$ 12,675,087</u>	<u>\$ 10,219,721</u>

The reversal of allowance were recognized due to sale of certain inventories which were previously provided with allowance for price decline.

(6) Investments accounted for under the equity method

	December 31, 2020	December 31, 2019
Subsidiaries:		
Elite Semiconductor Memory Technology Inc. \$	24,236	\$ 30,179
Charng Feng Investment Ltd.	511,029	394,670
Elite Investment Services Ltd.	620,500	627,721
Elite Semiconductor (B.V.I.) Ltd.	-	26,627
Jie Yong Investment Ltd.	136,983	147,009
Eon Silicon Solution Inc. USA	<u>( 1,411)</u>	<u>( 1,170)</u>
	<u>\$ 1,291,337</u>	<u>\$ 1,225,036</u>

Information about subsidiaries of the Company is provided in Note 4(3) in 2020 consolidated financial statements.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2020						
Cost	\$ 9,023	\$635,941	\$429,694	\$250,644	\$1,228,482	\$2,553,784
Accumulated depreciation and impairment	-	( 364,888)	( 352,538)	( 148,491)	( 992,800)	( 1,858,717)
	<u>\$ 9,023</u>	<u>\$271,053</u>	<u>\$ 77,156</u>	<u>\$102,153</u>	<u>\$ 235,682</u>	<u>\$ 695,067</u>
<u>2020</u>						
At January 1	\$ 9,023	\$271,053	\$ 77,156	\$102,153	\$ 235,682	\$ 695,067
Additions	-	505	85,605	38,091	252,195	376,396
Transfer (Note)	-	-	2,719	1,455	-	4,174
Depreciation charge	-	( 34,055)	( 22,509)	( 22,333)	( 220,727)	( 299,624)
At December 31	<u>\$ 9,023</u>	<u>\$237,503</u>	<u>\$142,971</u>	<u>\$119,366</u>	<u>\$ 267,150</u>	<u>\$ 776,013</u>
At December 31, 2020						
Cost	\$ 9,023	\$636,446	\$518,018	\$284,731	\$1,480,677	\$2,928,895
Accumulated depreciation and impairment	-	( 398,943)	( 375,047)	( 165,365)	( 1,213,527)	( 2,152,882)
	<u>\$ 9,023</u>	<u>\$237,503</u>	<u>\$142,971</u>	<u>\$119,366</u>	<u>\$ 267,150</u>	<u>\$ 776,013</u>
	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2019						
Cost	\$ 9,023	\$615,250	\$393,787	\$181,379	\$1,069,371	\$2,268,810
Accumulated depreciation and impairment	-	( 332,185)	( 313,872)	( 128,711)	( 701,219)	( 1,475,987)
	<u>\$ 9,023</u>	<u>\$283,065</u>	<u>\$ 79,915</u>	<u>\$ 52,668</u>	<u>\$ 368,152</u>	<u>\$ 792,823</u>
<u>2019</u>						
At January 1	\$ 9,023	\$283,065	\$ 79,915	\$ 52,668	\$ 368,152	\$ 792,823
Additions	-	5,496	35,908	10,059	159,111	210,574
Transfer (Note)	-	15,195	-	59,205	-	74,400
Depreciation charge	-	( 32,703)	( 38,667)	( 19,779)	( 291,581)	( 382,730)
At December 31	<u>\$ 9,023</u>	<u>\$271,053</u>	<u>\$ 77,156</u>	<u>\$102,153</u>	<u>\$ 235,682</u>	<u>\$ 695,067</u>
At December 31, 2019						
Cost	\$ 9,023	\$635,941	\$429,694	\$250,644	\$1,228,482	\$2,553,784
Accumulated depreciation and impairment	-	( 364,888)	( 352,538)	( 148,491)	( 992,800)	( 1,858,717)
	<u>\$ 9,023</u>	<u>\$271,053</u>	<u>\$ 77,156</u>	<u>\$102,153</u>	<u>\$ 235,682</u>	<u>\$ 695,067</u>

Note: Transferred from prepayments for equipment (shown as “other non-current assets”).

A. For the years ended December 31, 2020 and 2019 no interest expense was capitalized on property, plant and equipment in the Company.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements-lessee

A. The Company leases various assets including land, buildings and structures, business vehicles, printers. Rental contracts are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Short-term leases with a lease term of 12 months or less comprise business vehicles.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Book value	
Land	\$ 62,221	\$ 65,641
Buildings and structures	6,496	5,701
Business vehicles	3,083	470
Printers	<u>290</u>	<u>986</u>
	<u>\$ 72,090</u>	<u>\$ 72,798</u>

	Year ended December 31,	
	2020	2019
	Depreciation charge	
Land	\$ 3,420	\$ 3,420
Buildings and structures	986	2,545
Business vehicles	711	1,732
Printers	<u>696</u>	<u>696</u>
	<u>\$ 5,813</u>	<u>\$ 8,393</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$10,410 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 1,046</u>	<u>\$ 1,075</u>
Expense on short-term lease contracts	<u>\$ 1,436</u>	<u>\$ 1,232</u>

E. For years ended December 31, 2020 and 2019, the Group’s total cash outflow for leases were \$7,802 and \$10,263, respectively.

(9) Investment property

	<u>Buildings and structures</u>
At January 1, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>( 1,698)</u>
	<u>\$ 18,671</u>
<u>2020</u>	
At January 1	\$ 18,671
Depreciation charge	<u>( 970)</u>
At December 31	<u>\$ 17,701</u>
At December 31, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>( 2,668)</u>
	<u>\$ 17,701</u>
	<u>Buildings and structures</u>
At January 1, 2019	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>( 728)</u>
	<u>\$ 19,641</u>
<u>2019</u>	
At January 1	\$ 19,641
Depreciation charge	<u>( 970)</u>
At December 31	<u>\$ 18,671</u>
At December 31, 2019	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>( 1,698)</u>
	<u>\$ 18,671</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31,	
	2020	2019
Rental income from investment property	<u>\$ 2,470</u>	<u>\$ 2,436</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 970</u>	<u>\$ 970</u>

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$10,516 and \$10,538, respectively, which was valued by income approach. Key assumptions are as follows:

	December 31, 2020	December 31, 2019
Rate of net return on capital (Note)	<u>13.29%</u>	<u>13.86%</u>

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

C. For the years ended December 31, 2020 and 2019 no interest expense was capitalized on investment property in the Group.

D. The Group has no investment property pledged to others.

(10) Intangible assets

	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 367,844	\$ 494,080
Accumulated depreciation and impairment	<u>( 25,556)</u>	<u>( 11,000)</u>	<u>( 37,104)</u>	<u>( 339,243)</u>	<u>( 412,903)</u>
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 28,601</u>	<u>\$ 81,177</u>
<u>2020</u>					
At January 1	\$ 8,922	\$ -	\$ 43,654	\$ 28,601	\$ 81,177
Additions	-	-	-	167,264	167,264
Amortization charge	<u>( 5,098)</u>	<u>-</u>	<u>-</u>	<u>( 106,303)</u>	<u>( 111,401)</u>
Impairment loss	<u>-</u>	<u>-</u>	<u>( 25,352)</u>	<u>-</u>	<u>( 25,352)</u>
At December 31	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
At December 31, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 535,108	\$ 661,344
Accumulated depreciation and impairment	<u>( 30,654)</u>	<u>( 11,000)</u>	<u>( 62,456)</u>	<u>( 445,546)</u>	<u>( 549,656)</u>
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>



	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 323,012	\$ 449,248
Accumulated depreciation and impairment	( 16,596)	( 9,473)	( 25,047)	( 265,504)	( 316,620)
	<u>\$ 17,882</u>	<u>\$ 1,527</u>	<u>\$ 55,711</u>	<u>\$ 57,508</u>	<u>\$ 132,628</u>
<u>2019</u>					
At January 1	\$ 17,882	\$ 1,527	\$ 55,711	\$ 57,508	\$ 132,628
Additions	-	-	-	44,832	44,832
Amortization charge	( 8,960)	( 1,527)	-	( 73,739)	( 84,226)
Impairment loss	-	-	( 12,057)	-	( 12,057)
At December 31	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 28,601</u>	<u>\$ 81,177</u>
At December 31, 2019					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 367,844	\$ 494,080
Accumulated depreciation and impairment	( 25,556)	( 11,000)	( 37,104)	( 339,243)	( 412,903)
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 28,601</u>	<u>\$ 81,177</u>

A. Details of amortization on intangible assets are as follows:

	Year ended December 31,	
	2020	2019
Operating costs	\$ 5,098	\$ 8,404
Selling expenses	21	1,528
Administrative expenses	909	711
Research and development expenses	<u>105,373</u>	<u>73,583</u>
	<u>\$ 111,401</u>	<u>\$ 84,226</u>

B. For the years ended December 31, 2020 and 2019 no interest expense was capitalized on intangible assets in the Company.

C. Impairment information about the intangible assets is provided in 6(11).

D. The Company has no intangible assets pledged to others.

#### (11) Impairment of non-financial assets

The Group performs impairment tests on the recoverable amount of goodwill on the balance sheet date. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections approved by the management covering a five-year period as the basis for estimation. The relevant discount rates for 2020 and

2019 were 13.29% and 13.86%, respectively. The value-in-use used by the Group to calculate cash-generating units is derived from historical information on estimated future revenue growth rates, gross profit margins, and operating expense ratios, with reference to future industrial economic trends. The recoverable amount calculated based on the above key assumptions is lower than the book value of goodwill. Thus, the Group recognized impairment losses of \$25,352 and \$12,057 in 2020 and 2019, respectively.

(12) Short-term borrowings

<u>Type of borrowings</u>	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 1,340,000</u>	0.75% ~ 1.05%	None

<u>Type of borrowings</u>	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 270,000</u>	0.98% ~ 1.00%	None

Interest expense recognized in profit or loss amounted to \$8,122 and \$5,340 for the years ended December 31, 2020 and 2019, respectively.

(13) Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payables	\$ 376,625	\$ 288,090
Payable on equipment	146,904	58,026
Payable on employees and director remuneration	79,349	35,964
Others	<u>85,752</u>	<u>68,794</u>
	<u>\$ 688,630</u>	<u>\$ 450,874</u>

(14) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and

wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 14,033	\$ 12,739
Fair value of plan assets	<u>( 2,663)</u>	<u>( 2,409)</u>
	11,370	10,330
Unadjusted amount for the period	<u>( 850)</u>	<u>( 21)</u>
Net liability recognized in the balance sheet	<u>\$ 10,520</u>	<u>\$ 10,309</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2020			
At January 1	(\$ 12,739)	\$ 2,409	(\$ 10,330)
Current service cost	( 314)	-	( 314)
Interest (expense) income	<u>( 88)</u>	<u>18</u>	<u>( 70)</u>
	<u>( 13,141)</u>	<u>2,427</u>	<u>( 10,714)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	80	80
Change in financial assumptions	( 524)	-	( 524)
Experience adjustments	<u>( 368)</u>	<u>-</u>	<u>( 368)</u>
	<u>( 892)</u>	<u>80</u>	<u>( 812)</u>
Pension fund contribution	-	156	156
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>850</u>
At December 31	<u>(\$ 14,033)</u>	<u>\$ 2,663</u>	<u>(\$ 10,520)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2019			
At January 1	(\$ 11,614)	\$ 2,164	(\$ 9,450)
Current service cost	( 299)	-	( 299)
Interest (expense) income	<u>( 116)</u>	<u>21</u>	<u>( 95)</u>
	<u>( 12,029)</u>	<u>2,185</u>	<u>( 9,844)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	74	74
Change in financial assumptions	( 385)	-	( 385)
Experience adjustments	<u>( 325)</u>	<u>-</u>	<u>( 325)</u>
	<u>( 710)</u>	<u>74</u>	<u>( 636)</u>
Pension fund contribution	-	150	150
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>21</u>
At December 31	<u>(\$ 12,739)</u>	<u>\$ 2,409</u>	<u>(\$ 10,309)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31,	
	2020	2019
Discount rate	<u>0.30%</u>	<u>0.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on the fifth life experience table in Taiwan for the years ended 2020 and 2019.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 330)</u>	<u>\$ 341</u>	<u>\$ 296</u>	<u>(\$ 289)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 322)</u>	<u>\$ 332</u>	<u>\$ 292</u>	<u>(\$ 285)</u>

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

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$158.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	147
1-2 years		145
2-5 years		3,201
Over 5 years		<u>6,458</u>
	\$	<u>9,951</u>

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New 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 lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019, were \$30,121 and \$28,097, respectively.

(15) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Succeed to 2010 Eon Silicon Solution Inc.’s employee stock options	August 10, 2010, October 15, 2010 and January 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Succeed to 2013 Eon Silicon Solution Inc.’s employee stock options	August 19, 2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1: The accumulative proportion of the new shares 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.

Among the share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

Succeed to Eon Silicon Solution Inc.’s employee stock options:

	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	543	\$ 59.2~303.4	621	\$ 62.3~319.0
Options forfeited	( 4)	217.4	( 78)	59.2~303.4
Options expired	( 21)	241.2~295.4	-	-
Options outstanding at December 31	<u>518</u>	\$ 57.6~217.4	<u>543</u>	\$ 59.2~303.4
Options exercisable at December 31	<u>518</u>		<u>543</u>	

- C. No options exercised for the years ended December 31, 2020 and 2019, respectively.
- D. As of December 31, 2020 and 2019, the range of exercise prices of stock options outstanding was \$57.6~\$217.4 and \$59.2~\$303.4 (in dollars), respectively; the weighted-average remaining contractual period was 2.64 years and 3.64 years, respectively.
- E. Expenses incurred on share-based payment transactions for the years ended December 31, 2020 and 2019, were all \$0.

(16) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,857,589 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares: thousand shares	
	2020	2019
Shares outstanding at January 1	272,320	272,320
Subsidiary acquired parent company's shares is regarded as treasury shares transaction	( 715)	-
Shares outstanding at December 31	271,605	272,320
Treasury shares at the end of the period	14,154	13,439
Shares issued at December 31	<u>285,759</u>	<u>285,759</u>

B. Treasury shares

The Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as of December 31, 2020 and 2019 due to the parent company's business strategy, were 14,154 thousand shares and 13,439 thousand shares, with carrying amounts of \$347,942 and \$328,048, respectively; the average book value per share were \$24.58 and \$24.41, and the fair value per share were \$64.70 and \$38.90.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2020				
	Changes in				
	Treasury share	ownership interests in	Employee stock		
	trans actions	subsidiaries	options	Others	Total
At January 1	\$ 1,661	\$ 94,949	\$ 3,913	\$ 3,782	\$ 104,305
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	1,146	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	5,925	-	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interest	- (	1,781)	-	- (	1,781)
Expired cash dividends transferred to capital surplus	-	-	-	82	82
At December 31	<u>\$ 1,661</u>	<u>\$ 100,239</u>	<u>\$ 3,913</u>	<u>\$ 3,864</u>	<u>\$ 109,677</u>

	2019				
	Changes in				
	Treasury share	ownership interests in	Employee stock		
	trans actions	subsidiaries	options	Others	Total
At January 1	\$ 1,661	\$ 49,710	\$ 3,913	\$ 3,788	\$ 59,072
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	1,146	-	-	1,146
Disposal of subsidiaries	-	35,475	-	-	35,475
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	8,438	-	-	8,438
Change in associates and joint ventures accounted for under equity method	-	180	-	-	180
Expired cash dividends transferred to capital surplus	-	-	-	39	39
Adjustment of payments of expired cash dividends	-	-	-	( 45)	( 45)
At December 31	<u>\$ 1,661</u>	<u>\$ 94,949</u>	<u>\$ 3,913</u>	<u>\$ 3,782</u>	<u>\$ 104,305</u>



(18) Retained earning

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following order:
- (a) Payment of all taxes and dues.
  - (b) Offset against prior years' operating losses, if any.
  - (c) Set aside 10% of remaining amount as legal reserve.
  - (d) Setting aside a special reserve when necessary.
  - (e) The remainder shall be stockholders' bonus, which will be appropriated in proportion or be retained shall be resolved by the stockholders at the stockholders' meeting.
- B. Dividend policy  
The Company is still in the growth stage, the appropriation of stockholders' bonus will be appropriated as cash, the remainder will be appropriated as shares when over 5%.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate1010012865, dated 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.
- E. As approved by Board of Directors on March 18, 2019, the appropriations of 2018 earnings would be legal reserve \$70,651 and cash dividend \$428,638, constituting \$1.5(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 13, 2019.
- F. As approved by Board of Directors on March 20, 2020, the appropriations of 2019 earnings would be legal reserve \$49,804 and cash dividend \$285,759, constituting \$1(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 15, 2020.
- G. As approved by Board of Directors on February 26, 2021, the appropriations of 2020 earnings would be legal reserve \$107,724 and cash dividend \$2(in dollars) per share. Aforementioned appropriations had not yet been approved by stockholders' meeting.

(19) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 15,252,723</u>	<u>\$ 11,964,770</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Years ended December 31,2020	Domestic	Asia	Others	Total
Integrated circuits	<u>\$6,133,005</u>	<u>\$9,061,325</u>	<u>\$ 58,393</u>	<u>\$15,252,723</u>

Years ended December 31,2019	Domestic	Asia	Others	Total
Integrated circuits	<u>\$5,145,958</u>	<u>\$6,633,214</u>	<u>\$ 185,598</u>	<u>\$11,964,770</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities-advance sales receipts	<u>\$ 5,336</u>	<u>\$ 3,949</u>	<u>\$ 2,440</u>

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

	Years ended December 31,	
	2020	2019
Contract liabilities-advance sales receipts	<u>\$ 3,888</u>	<u>\$ 2,405</u>

(20) Interest revenue

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 15,722	\$ 24,706
Interest income from financial assets at amortized cost	1,207	1,982
Other interest income	611	1,291
	<u>\$ 17,540</u>	<u>\$ 27,979</u>

(21)Other income

	Years ended December 31,	
	2020	2019
Rent income	\$ 6,341	\$ 6,532
Dividend income	3,473	11,498
Other income, others	<u>55,126</u>	<u>32,688</u>
	<u>\$ 64,940</u>	<u>\$ 50,718</u>

(22)Other gains and losses

	Years ended December 31,	
	2020	2019
Gains arising from lease modifications	\$ 91	\$ -
Foreign exchange losses	( 26,694)	( 23,019)
Gains (Losses) on financial assets at fair value through profit or loss	17,707	( 19,145)
Impairment loss	( 25,352)	( 12,057)
Miscellaneous disbursements	<u>( 970)</u>	<u>( 970)</u>
	<u>(\$ 35,218)</u>	<u>(\$ 55,191)</u>

(23)Financial costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 8,122	\$ 5,340
Provisions for liabilities - unwinding of discount	1,412	1,291
Lease liability	<u>1,046</u>	<u>1,075</u>
Total of interest expense	<u>10,580</u>	<u>7,706</u>
Others	<u>728</u>	<u>1,009</u>
	<u>\$ 11,308</u>	<u>\$ 8,715</u>

(24) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	<u>\$ 1,085,436</u>	<u>\$ 841,063</u>
Depreciation charges on property, plant and equipment	<u>\$ 299,624</u>	<u>\$ 382,730</u>
Depreciation charges on right-of-use assets	<u>\$ 5,813</u>	<u>\$ 8,393</u>
Depreciation charges on investment property	<u>\$ 970</u>	<u>\$ 970</u>
Amortization charges on intangible assets	<u>\$ 111,401</u>	<u>\$ 84,226</u>

(25) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 975,203	\$ 744,290
Labor and health insurance fees	48,483	46,474
Pension costs	30,662	28,641
Director remuneration	15,938	7,326
Other personnel expenses	<u>15,150</u>	<u>14,332</u>
	<u>\$ 1,085,436</u>	<u>\$ 841,063</u>

- A. In accordance with the Articles of Incorporation of the Company, the profit before income tax of the current year, before covering employees' compensation and directors' remuneration, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and 1% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$66,124 and \$29,970, respectively; while directors' remuneration was accrued at \$13,225 and \$5,994, respectively. The aforementioned amounts were recognized in salary expenses.  
The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit for the years ended December 31, 2020.
- C. The employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.
- D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 151,804	\$ 50,682
Tax on undistributed earnings	-	10,378
Prior year income tax underestimation	<u>6,787</u>	<u>316</u>
Total current tax	<u>158,591</u>	<u>61,376</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>8,072</u>	<u>4,652</u>
Total deferred tax	<u>8,072</u>	<u>4,652</u>
Income tax expense	<u>\$ 166,663</u>	<u>\$ 66,028</u>

(b) The income tax charge relating to components of other comprehensive income: None.

(c) The income tax charged to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 248,618	\$ 112,686
Tax exempt income by tax regulation	( 16,824)	( 1,479)
Prior year income tax underestimation	6,787	316
Temporary differences not recognized as deferred tax assets	( 6,859)	( 23,013)
Effect from investment tax credits	( 65,059)	-
Effect from Alternative Minimum Tax	-	3,870
Effect from tax exempt income	-	( 36,730)
Tax on undistributed earnings	<u>-</u>	<u>10,378</u>
Income tax expense	<u>\$ 166,663</u>	<u>\$ 66,028</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020			
	January 1	Recognized in		December 31
		profit or loss	Recognized in other comprehensive income	
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	153	195	-	348
Loss on market value decline and obsolete and slow-moving inventories	1,688	( 700)	-	988
Pension liability	61	20	-	81
Others	<u>2,224</u>	<u>124</u>	-	<u>2,348</u>
Subtotal	<u>4,174</u>	<u>( 361)</u>	-	<u>3,813</u>
-Deferred tax liabilities:				
Unrealized exchange gain	( 4,731)	( 3,202)	-	( 7,933)
Gain on financial assets at fair value through profit or loss	-	( 4,509)	-	( 4,509)
Subtotal	<u>( 4,731)</u>	<u>( 7,711)</u>	-	<u>( 12,442)</u>
Total	<u>(\$ 557)</u>	<u>(\$ 8,072)</u>	<u>\$ -</u>	<u>(\$ 8,629)</u>

	2019			
	January 1	Recognized in		December 31
		profit or loss	Recognized in other comprehensive income	
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	60	93	-	153
Loss on market value decline and obsolete and slow-moving inventories	2,545	( 857)	-	1,688
Pension liability	57	4	-	61
Others	<u>2,464</u>	<u>( 240)</u>	-	<u>2,224</u>
Subtotal	<u>5,174</u>	<u>( 1,000)</u>	-	<u>4,174</u>
-Deferred tax liabilities:				
Unrealized exchange gain	( 1,078)	( 3,653)	-	( 4,731)
Subtotal	<u>( 1,078)</u>	<u>( 3,653)</u>	-	<u>( 4,731)</u>
Total	<u>\$ 4,096</u>	<u>(\$ 4,653)</u>	<u>\$ -</u>	<u>(\$ 557)</u>

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 362,221</u>	<u>\$ 381,969</u>

E. The Company's products qualify for "Regulations for Encouraging Manufacturing Enterprises and Technical Service Enterprises in the Newly Emerging, Important and Strategic Industries" and the Company is entitled to the income tax exemption for 5 consecutive years (ends on December, 2019).

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	<u>Year ended December 31, 2020</u>		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$1,076,426</u>	279,909	<u>\$ 3.85</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,295</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$1,076,426</u>	<u>281,204</u>	<u>\$ 3.83</u>

	<u>Year ended December 31, 2019</u>		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 497,405</u>	280,133	<u>\$ 1.78</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,057</u>	

### Diluted earnings per share

Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 497,405</u>	<u>281,190</u>	<u>\$ 1.77</u>
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Note: The employee stock options not calculate for years ended December 31, 2020 and 2019 due to the effect of anti-dilution.

### (28) Supplemental cash flow information

#### A. Investing activities with partial cash payments:

	Year ended December 31,	
	2020	2019
Purchase of property, plant and equipment (including amount of transfer)	\$ 380,570	\$ 284,974
Add: Opening balance of payable on equipment	58,026	41,100
Less: Ending balance of payable on equipment	( 146,904)	( 58,026)
Cash paid during the period	<u>\$ 291,692</u>	<u>\$ 268,048</u>

#### B. Changes in liabilities from financing activities:

	Short-term	Short-term	Lease	Guarantee	Liabilities from
	Short-term	notes and bills	liabilities	deposits received	financing
	borrowings	payable			activities-gross
At January 1, 2020	\$ 270,000	\$ -	\$ 73,235	\$ 10,067	\$ 353,302
Changes in cash flow from financing activities	1,070,000	150,476	( 5,320)	( 3,236)	1,211,920
Interest paid	-	-	( 1,046)	-	( 1,046)
Interest expense	-	-	1,046	-	1,046
Changes in other non-cash items	-	( 720)	10,410	-	9,690
Changes from lease modifications	-	-	( 5,396)	-	( 5,396)
At December 31, 2020	<u>\$ 1,340,000</u>	<u>\$ 149,756</u>	<u>\$ 72,929</u>	<u>\$ 6,831</u>	<u>\$ 1,569,516</u>

	Short-term	Short-term	Lease	Guarantee	Liabilities from
	Short-term	notes and bills	liabilities	deposits received	financing
	borrowings	payable			activities-gross
At January 1, 2019	\$ 370,000	\$ 99,932	\$ 81,191	\$ 9,957	\$ 561,080
Changes in cash flow from financing activities	( 100,000)	( 99,932)	( 7,956)	110	( 207,778)
Interest paid	-	-	( 1,075)	-	( 1,075)
Interest expense	-	-	1,075	-	1,075
At December 31, 2019	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ 73,235</u>	<u>\$ 10,067</u>	<u>\$ 353,302</u>



## 7. Related Party Transactions

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Elite Semiconductor Memory Technology Inc.	Subsidiary
CML Inc. (Note 1)	"
Charng Feng Investment Ltd.	"
Jie Yong Investment Ltd.	"
Elite Investment Services Ltd.	"
Elite Semiconductor (B.V.I.) Ltd. (Note 4)	"
Eon Silicon Solution (Samoa) Inc. (Note 2)	"
Eon Silicon Solutions Inc. USA	"
3R Semiconductor Technology Inc.	Sub-subsidiary
Elite Silicon Technology Inc.	"
Elite Innovation Japan Ltd.	"
Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.	"
Elite Innovation (B.V.I.) Ltd. (Note 3)	"
Elite Semiconductor Microelectronics (Shanghai) Technology Inc. (Note 5)	"
CHI Microelectronics Limited (Note 6)	"
Arima Lasers Corporation	The Company's subsidiary is this company's director
Canyon Semiconductor Inc.	Investee indirectly accounted for under equity method

Note 1: This company had been liquidated in May 2020.

Note 2: This company had been liquidated in September 2019.

Note 3: This company had been liquidated in March 2020.

Note 4: This company began liquidation process in November 2020.

Note 5: This company had been established on November 27, 2019.

Note 6: This company had been established on August 31, 2020.

### (2) Significant transactions and balances with related parties

#### A. Operating revenue

	Year ended December 31,	
	2020	2019
Sales of goods:		
-Subsidiaries	\$ -	\$ 71
-Associates	6,021	5,789
	<u>\$ 6,021</u>	<u>\$ 5,860</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	Year ended December 31,	
	2020	2019
Purchases of goods:		
-Subsidiaries	\$ 3,828	\$ -

Goods are purchased from subsidiaries on normal commercial terms and conditions.

C. Others

	Year ended December 31,	
	2020	2019
Other income-support service		
-Subsidiaries	\$ 48,178	\$ 25,177
Research and development expenses:		
-Subsidiaries	\$ 76,375	\$ 65,336
Selling expenses:		
-Subsidiaries	\$ 46,797	\$ -

D. Other receivables

	December 31, 2020	December 31, 2019
Other receivables-related party:		
-Subsidiaries	\$ -	\$ 296

(3) Key management compensation

	Year ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 54,409	\$ 36,572
Post-employment benefits	432	432
	\$ 54,841	\$ 37,004

## 8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Assets item	Book value		Purpose
	December 31, 2020	December 31, 2019	
Time deposits (shown as "other current assets and other non-current assets")	<u>\$ 3,969</u>	<u>\$ 3,969</u>	Guarantee deposits for lease of land

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

Information about the appropriations of earnings of the Company which had been approved by Board of Directors on February 26, 2021 is provided in Note 6(18).

## 12. Others

### (1) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans the demand of working capital, research and development expenses and dividends to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders, to take care of the benefit of other related parties, and to maintain an optimal capital structure, so as to promote shareholder value in the long-term.

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

The gearing ratios at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 13,005,217	\$ 10,478,733
Total liabilities	<u>( 4,741,174)</u>	<u>( 3,017,273)</u>
Total equity	<u>\$ 8,264,043</u>	<u>\$ 7,461,460</u>
Gearing ratio	<u>57%</u>	<u>40%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 168,548</u>	<u>\$ 150,841</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 32,418</u>	<u>\$ 25,388</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 2,719,155	\$ 1,817,377
Financial assets at amortized cost - current	136,704	140,906
Notes receivable	-	34
Accounts receivable	1,505,780	1,160,173
Other receivables	94,611	79,745
Time deposits (shown as "other current assets and other non-current assets")	3,969	3,969
Guarantee deposits paid (shown as "other non-current assets")	<u>4,551</u>	<u>4,494</u>
	<u>\$ 4,464,770</u>	<u>\$ 3,206,698</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 1,340,000	\$ 270,000
Short-term notes and bills payable	149,756	-
Notes payable	2,115	1,890
Accounts payable	2,281,658	2,134,680
Other payables	688,630	450,874
Guarantee deposits received (shown as "other non-current liabilities")	<u>6,831</u>	<u>10,067</u>
	<u>\$ 4,468,990</u>	<u>\$ 2,867,511</u>
Lease liability	<u>\$ 72,929</u>	<u>\$ 73,235</u>

B. Financial risk management policies

- (a) The Company adopt comprehensive system of risk management and control to identify, measure and control all categories of risk, including market risk, credit risk, liquidity risk, and risk of cash flow, to make sure management is able to control and measure market risk, credit risk, liquidity risk, and risk of cash flow effectively.
- (b) In order to control all management objectives of market risk effectively, achieve optimal level of risk, maintain appropriate level of liquidity and collectively manage all market risks, the Company will take factors such as consideration for the overall economic environment, status of competition and market value risks.
- C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Company operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require the Company to manage the foreign exchange risk against the functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. The Company adopts forward foreign exchange contracts through the Company treasury to manage the foreign exchange risk from future commercial transactions and recognized assets and liabilities. The foreign exchange risk will exist when future commercial transactions and recognized assets and liabilities use the currency different from the functional currency of the Company.
- III. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD). 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)	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 132,416	28.480	\$ 3,771,208
RMB:NTD	125,949	4.377	551,279
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 47,030	28.480	\$ 1,339,414
JPY:NTD	62,800	0.276	17,352

<b>(Foreign currency: functional currency)</b>	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 97,806	29.980	\$ 2,932,224
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 45,751	29.980	\$ 1,371,615

IV. The total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$26,694 and \$23,019, respectively.

V. Analysis of foreign currency market risk arising from significant foreign exchange variation:

<b>(Foreign currency: functional currency)</b>	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 37,712	\$ -
RMB:NTD	1%	5,513	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 13,394)	\$ -
JPY:NTD	1%	( 174)	-

<b>(Foreign currency: functional currency)</b>	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 29,322	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 13,716)	\$ -

### Price risk

- I. The Company's equity securities, which are exposed to price risk, are the held financial assets 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 securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- II. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$16,855 and \$15,084, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$3,242 and \$2,539, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### Cash flow and fair value Interest rate risk

The Company's main interest rate risk arises from short-term borrowings and short-term notes and bills payable. Borrowings with floating rates expose the Company to cash flow interest rate risk, but the majority of risk offset by cash and cash equivalents with floating rates. Borrowings with fixed rates expose the Company to fair value interest rate risk. The Company doesn't have significant risk of change of interest rate due to borrowings with floating rates are all shorter than one year.

#### (b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortized cost and debt instruments at fair value through profit or loss.
- II. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only these with high rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of

their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

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

IV. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since 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.

V. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

VI. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

VII. The financial assets at amortized cost including time deposits, repurchase bonds and restricted time deposits. The banks are with high rating and don't past due before. In addition to the above, the whole economic environment doesn't change significant, so the risk of credit risk is low and the effect to financial statement is insignificant.

VIII. The information about ageing analysis and collaterals of accounts receivable is provide in Note6(4). The Company request significant clients provide collaterals and other right of guarantee, therefore, the Company classifies customer's accounts receivable in accordance with the nature of collaterals. The applies the simplified approach using loss rate methodology to estimate expected credit loss. In summary, the allowance for losses which the Company should recognize is minor at December 31, 2020 and 2019.



XI. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows :

	2020	2019
At January 1	\$ 14,295	\$ 4,289
Provision for impairment	-	10,006
Reversal of impairment	( 8,582)	-
At December 31	<u>\$ 5,713</u>	<u>\$ 14,295</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Surplus cash held by the operating entities over and above balance required for working capital management should invest surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative 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:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,340,000	\$ -	-
Short-term notes and bills payable	149,756	-	-
Notes payable	2,115	-	-
Accounts payable	2,281,658	-	-
Other payables	688,630	-	-
Lease liability	7,405	22,554	52,635
Guarantee deposits received	-	-	6,831

Derivative financial liabilities: None.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 270,000	\$ -	\$ -
Notes payable	1,890	-	-
Accounts payable	2,134,680	-	-
Other payables	450,874	-	-
Lease liability	7,760	19,411	56,605
Guarantee deposits received	.	-	10,067

Derivative financial liabilities: None.

(3)Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which 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 Group's investment in listed stocks, beneficiary certificates and debt securities is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value of the Group including cash and cash equivalents, time deposit (over 3 months), notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable and other payables, lease liabilities (current and non-current) and guarantee deposits received are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 72,557	\$ -	\$ -	\$ 72,557
Beneficiary certificates	58,904	-	-	58,904
Debt securities	37,087	-	-	37,087
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	32,418	32,418
	<u>\$ 168,548</u>	<u>\$ -</u>	<u>\$ 32,418</u>	<u>\$ 200,966</u>

Financial liabilities: None.

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 63,257	\$ -	\$ -	\$ 63,257
Beneficiary certificates	53,488	-	-	53,488
Debt securities	34,096	-	-	34,096
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	25,388	25,388
	<u>\$ 150,841</u>	<u>\$ -</u>	<u>\$ 25,388</u>	<u>\$ 176,229</u>

Financial liabilities: None.

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

- II. 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.
- III. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Equity securities	
	2020	2020
At January 1	\$ 25,388	\$ 29,650
Valuation adjustment	7,030	(4,262)
At December 31	<u>\$ 32,418</u>	<u>\$ 25,388</u>

- G. Accounting segment 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.

H. 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:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 32,418	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 25,388	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value

#### (4) Others

As of the reported date, the Company has assessed that COVID-19 has no adverse impact on the Company's overall operating activities and financial statements. However, the Company will continue to pay attention to the development of the COVID-19 and its impact on the overall economic environment

### 13、Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 2.

(2)Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3)Information on investments in Mainland China

A. Investee accounted for under the equity method of the Company, Elite Semiconductor (B.V.I.) Limited, which has been approved to establish Shanghai offices in Mainland China by Investment Commission of MOEA on June 18, 2009. The Shanghai office indirectly established by the Company was approved for cancellation by the Investment Commission of MOEA on November 17, 2020.

B. Basic information: Please refer to table 4.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4)Major shareholders information

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

Elite Semiconductor Microelectronics Technology Inc.

Holding of marketable securities at the end of the period

December 31, 2020

Table 1

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Securities held by	Name and category of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value (Note)	Ownership(%)	Fair value (Note)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	The Company's subsidiary is this company's director	Financial assets at fair value through profit or loss	3,455,000	\$ 72,209	12.26	\$ 72,209	
Elite Semiconductor Microelectronics Technology Inc.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	348	0.00	348	
Elite Semiconductor Microelectronics Technology Inc.	HSBC FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	1,000,000	25,192	Not applicable	25,192	
Elite Semiconductor Microelectronics Technology Inc.	ANZ FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	500,000	11,895	Not applicable	11,895	
Elite Semiconductor Microelectronics Technology Inc.	BGF RENMIN BI BOND FUND	None	Financial assets at fair value through profit or loss	127,986	58,904	Not applicable	58,904	
Elite Semiconductor Microelectronics Technology Inc.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	32,418	8.06	32,418	
Elite Investment Services Ltd.	HSBC HLDGS PLC 6.20 PCT PREF SHARE SERIES A	None	Financial assets at fair value through profit or loss	20,000	14,303	Not applicable	14,303	
Elite Investment Services Ltd.	HSBC ALL CHINA BOND FUND - AC (2802)	None	Financial assets at fair value through profit or loss	600,000	32,833	Not applicable	32,833	
Charng Feng Investment Ltd.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	348	0.00	348	
Charng Feng Investment Ltd.	Arima Lasers Corporation stock	None	Financial assets at fair value through profit or loss	907,000	18,956	3.22	18,956	
Charng Feng Investment Ltd.	Ushine Photonics Corporation stock	None	Financial assets at fair value through profit or loss	115,519	797	0.41	797	
Charng Feng Investment Ltd.	Brightek Optoelectronic Corporation Ltd. stock	None	Financial assets at fair value through profit or loss	65,601	1,709	0.11	1,709	
Charng Feng Investment Ltd.	M3 Technology Inc. stock	None	Financial assets at fair value through profit or loss	433,000	48,063	1.18	48,063	
Charng Feng Investment Ltd.	M2 Communication Inc. stock	None	Financial assets at fair value through profit or loss	2,000,000	4,917	7.89	4,917	
Charng Feng Investment Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit or loss	1,500,000	75,000	0.05	75,000	
Charng Feng Investment Ltd.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	32,418	8.06	32,418	
Jie Yong Investment Ltd.	Elite Semiconductor Microelectronics Technology Inc. stock	Parent company	Financial assets at fair value through other comprehensive income	14,154,000	915,764	4.95	915,764	

Note: Valuation adjustment of financial assets and cumulative translation differences are included.

Elite Semiconductor Microelectronics Technology Inc.  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2020

Table 2

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	(1)	Research and development expenses	\$ 76,375	Note 4	0.50%
0	Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	(1)	Other revenue	48,000	Note 4	0.31%

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

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end 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 terms are decided by the two parties through negotiation.

Note 5: Only transactions with related parties of NT\$25 million or more are disclosed, and transactions with related parties will not be disclosed separately.

Note 6: The transaction between parent company to subsidiary and subsidiaries were eliminated when preparing consolidated financial statements.



## Elite Semiconductor Microelectronics Technology Inc.

Information on investees (exclude investee in Mainland China)

Year ended December 31, 2020

Table 3

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Foot note
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Taiwan	Research and development, production, sales and related consulting services of integrated circuit	\$ 272	\$ 272	100,000	100	\$ 24,236	\$ 9,712	\$ 9,712	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General investment	500,000	500,000	50,000,000	100	511,029	112,211	111,110	Note 2
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General investment	427,200	427,200	15	100	620,500	( 7,222)	( 7,222)	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor (B.V.I.) Ltd.	British Virgin Islands	General investment	-	142,400	-	-	-	( 7,220)	( 7,220)	Note 3
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	Taiwan	General investment	270,000	270,000	3,600,000	41.86	136,983	13,823	( 138)	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	U.S.A.	Investigation and research of business situation and industrial technology	13,304	13,304	200,000	100	( 1,411)	( 240)	( 240)	
Charng Feng Investment Ltd.	3R Semiconductor Technology Inc.	Taiwan	Product design, wholesales and retail of electronic materials, manufacturing of electronic components, information software services and international trade	69,407	69,407	10,000,000	100	21,953	( 567)	( 567)	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesales and retail of electronic materials, manufacturing of electronic components, information software services and international trade	61,201	59,288	7,448,960	98.01	528	( 154)	( 154)	
Charng Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, manufacturing of electronic components, product design and information software services	80,337	80,337	8,350,000	40.93	33,883	1,642	673	

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Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Foot note
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
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	\$ 2,111	\$ 2,111	\$ 200	100	2,195	\$ 116	\$ 116	
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Hong Kong	Trading	367	-	10,000	100	367	( 4)	( 4)	Note 4

Note 1: The foreign investment amount translated at the exchange rate as of December 31, 2020.

Note 2: The investment income/loss has been adjusted the unrealized gain/loss of upstream transactions.

Note 3: Elite Semiconductor (B.V.I.) Ltd. obtained a liquidated certificate from local regulatory authority on February 9, 2021, and obtained a liquidated letter from Investment Commission of MOEA on February 20, 2021.

Note 4: CHI Microelectronics Limited. was established on August 31, 2020. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of HKD 100,000 approved by the Investment Commission of MOEA on December 11, 2020.

Elite Semiconductor Microelectronics Technology Inc.

Information on investments in Mainland China

Year ended December 31, 2020

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as at January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2020	Net income (loss) of the investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as at December 31, 2020	Accumulated amount of investment income remittance back to Taiwan as at December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after - sales service	\$ 2,549	(1)	\$ -	\$1,424	\$ -	\$ 1,424	\$ 1,224	100	\$ 1,224	\$ 4,619	\$ -	
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	5,696	(1)	-	5,696	-	5,696	581	100	581	6,633	-	Note 6

Company name	Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2020	Investment amount approved by the Investment Commission of MOEA (Note 5)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Charng Feng Investment Ltd.	\$ 7,120	\$ 78,021	\$ 300,000

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through companies registered in a third region.
- (3) Other methods.

Note 2: Investment income (loss) was recognized based on financial statement prepared by each company which were audited by independent auditors.

Note 3: The amount of the statement should show as New Taiwan Dollars.

Note 4: Paid-in capital translated at the exchange rate as of December 31, 2020.

Note 5: The Company's subsidiary, Charng Feng Investment Ltd., obtained the revised investment amount of USD 39,485.42 and USD 2,500,000 approved by the Investment Commission, MOEA on February 6, 2020 and July 10, 2020.

Note 6: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA on May 20, 2020.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent financial year or during the current financial year up to the date of publication of the Annual Report, the manner in which the difficulties will affect the Company's financial situation shall be explained: None.

## Review of Financial Position, Operating Results, and Risk Management

### I. Financial Status

Major reasons for changes in assets, liabilities, and shareholders' equity, as well as related effects in the most recent two financial years. If such effects are material, response measures should be elaborated:

#### Comparative Analysis of Financial Position

Unit: NT\$1,000

Item	Year		Difference	
	2020	2019	Amount	%
Current assets	11,832,047	9,497,077	2,334,970	24.59
Financial assets at fair value through comprehensive profit or loss - non-current	64,836	50,776	14,060	27.69
Investment accounted for using equity method	33,883	33,210	673	2.03
Property, plant and equipment	776,598	696,328	80,270	11.53
Right-of-use assets	80,782	86,367	( 5,585)	( 6.47)
Net investment assets	17,701	18,671	( 970)	( 5.20)
Intangible assets	111,688	81,593	30,095	36.88
Other assets	82,813	16,298	66,515	408.12
Total assets	13,000,348	10,480,320	2,520,028	24.05
Current liabilities	4,756,158	3,025,945	1,730,213	57.18
Non-current liabilities	114,907	113,596	1,311	1.15
Total liabilities	4,871,065	3,139,541	1,731,524	55.15
Equity attributable to the parent company	8,264,043	7,461,460	802,583	10.76
Share capital	2,857,589	2,857,589	-	-
Capital reserves	109,677	104,305	5,372	5.15
Retained profits	5,436,890	4,645,411	791,479	17.04
Minority interest	5,536	( 8,524)	14,060	164.95
Treasury shares	( 145,649)	( 137,321)	( 8,328)	( 6.06)
Non-controlling interest	( 134,760)	( 120,681)	( 14,079)	( 11.67)
Total equity	8,129,283	7,340,779	788,504	10.74
Descriptions:				
1. Current assets: mainly due to a significant increase in the inventory as a result of a continued increase in the inventory during the year in response to future sales.				
2. Financial assets at fair value through other comprehensive income - non-current and other equity: mainly due to a significant increase in the end-term valuation gain on financial assets at fair value through other comprehensive income during the year.				
3. Intangible assets: mainly due to an increase in the acquisition of software.				
4. Other assets: mainly due to an increase in the prepayment for equipment during the year.				
5. Current liabilities: mainly due to a significant increase in the accounts payable as a result of a continued increase in the inventory during the year in response to future sales.				
6. Future plans for significant impact: As mentioned in 1. to 5. above, the reasons for the differences are not significant to the Company.				

## II. Financial Performance

The main reasons for the significant changes in operating revenue, operating profit and net profit before tax for the most recent two financial years, and the expected sales volume and its basis, and the possible impact on the Company's financial operations, and the response plans thereof:

### Comparative Analysis of Financial Performance

Unit: NT\$1,000

Item	2020	2019	Increased (Decreased) Amount	Percentage Change
Operating Revenue	15,267,139	11,983,479	3,283,660	27.40
Gross profit	2,649,042	1,802,208	846,834	46.99
Operating Profit (Loss)	1,154,785	574,943	579,842	100.85
Non-operating income and expenses	98,915	1,237	97,678	7,896.36
Net profit before tax	1,253,700	576,180	677,520	117.59
Net gain (loss) from continuing operations in the current period	1,084,441	505,611	578,830	114.48
Loss from discontinued operations	-	-	-	-
Net Profit (Loss)	1,084,441	505,611	578,830	114.48
Other comprehensive income (net, after tax)	14,872	( 7,888)	22,760	288.54
Total comprehensive income	1,099,313	497,723	601,590	120.87
Net income attributable to parent company	1,076,426	497,405	579,021	116.41
Total comprehensive income attributable to parent company	1,091,298	489,517	601,781	122.93

#### Descriptions:

1. Operating income and gross profit: The following table provides an analysis of the changes in gross profit.
2. Operating income (loss): mainly due to a significant increase in the Company's operating profit from the previous year as a result of the growth of the electronics industry against the trend during the year.
3. Non-operating income and expenses: mainly due to a significant increase in the end-term valuation gain on financial assets at fair value through other comprehensive income during the year.
4. Net income before tax: The combined effect of 1. and 3. above resulted in an increase of approximately 117.59% in net income before tax.
5. Other comprehensive income: mainly due to a significant increase in the end-term valuation gain on financial assets at fair value through other comprehensive income during the year.
6. Total comprehensive income and loss, net income attributable to owners of the parent company, and total comprehensive income and loss attributable to owners of the parent company: This is mainly due to the significant increase in the Company's operating profit due to the growth of the electronics industry in the current year compared to the previous year.
7. The possible impact of expected sales volume and its basis on the Company's future financial operations and the Company's response plans: Please refer to "Sales Volume Forecast and Its Basis" on #page 4# for the expected sales volume and its basis. Please refer to "Future Company Development Strategy" on #page 4# for the possible impact on the Company's future financial operations and the response plans.

Analysis table of operating margin changes

Unit: NT\$1,000

Product Type	The number of changes in the previous and late periods	Price difference	Cost price difference	Sales mix difference	Quantity difference
Integrated circuit	846,834	(2,182,502)	( 2,229,089)	172,941	627,306
Other(Technical service income)	—	—	—	—	—
Total	846,834	(2,182,502)	( 2,229,089)	172,941	627,306

Description: The severe COVID-19 pandemic slowed down the global economic growth during the year. However, the electronics industry grew against the trend. The Company's revenue also showed significant growth. As a result, the Company's revenue and earnings performance was better than that of 2019.

III. Cash flow

(I) Analysis of changes in cash flow in the most recent financial year

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities of the year	Cash outflow of the year	Cash Balance (Deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
2, 757, 003	453, 348	387, 566	3, 597, 917	—	—

(II) Liquidity analysis for the most recent financial year

Item	Year	2020	2019	Percentage Increase (Decrease)
	Cash Flow Ratio (%)		9.53	61.12
Cash flow Sufficiency Ratio (%)		57.56	28.20	104.11%
Cash Reinvestment Ratio (%)		1.72	15.60	( 88.97%)

Description:

- The cash flow ratio and the cash reinvestment ratio rose, mainly due to the growth in revenue during the year. However, the operating cash flow decreased significantly from the previous year due to an increase in the inventory as a result of the projected future sales.
- The cash flow adequacy ratio rose, mainly because the average operating cash flow increased significantly from the previous year.

(III) Analysis of the cash liquidity of the coming year:

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities of the year	Cash outflow of the year	Cash Balance (deficit)	Remedial measures for	
				Investment plan	Financial plan
3,597,917	671,512	(571,737)	3,697,692	—	—
1: Analysis of cash flow change in 2020: (1) Operating activities: In this year, due to the expected improvement in business conditions, net cash flow from operating activities is a net inflow. (2) Investment activities: Mainly due to the increase in new investment and increased photomask required to purchase R&D equipment and new products. (3) Financing activities: Mainly, cash outflow caused by the issuance of cash dividends. 2. Remedial measures for cash deficit and liquidity analysis: None.					

IV. Major capital expenditures in the most recent financial year and their impact on the Company's finances: none

V. Investment policy in the most recent financial year, main causes for profit or loss, improvement plans and the investment plans for the coming year: None.

VI. Risk Analysis and Assessment

(I) The impact of interest rate, exchange rate fluctuations and inflation on corporate profits and losses and future countermeasures:

(1) Impact on the Company's profit/loss:

Unit: NT\$1,000

Item	2020	2019
Net interest income or expense	15,885	40,826
Exchange Gain (Loss)	(50,665)	(45,141)

In terms of inflation, with the decrease in oil prices and the recovery of natural resource prices, the global economy is facing low inflation, which will inevitably affect the cost of purchasing raw materials needed for production. However, the production of the Company is outsourced, and the cost of raw materials and processing costs are mainly determined by the capacity allocation of outsourced processing plants based on the business cycle and market supply and demand. Therefore, it is expected that inflation will have a limited impact on the Company's profit and loss.

(2) Future response measures:



### 1. Fluctuation of interest rates

The Company maintains close contact with banks and pays attention to changes in the market in order to obtain more favorable borrowing rates from banks. Another major capital expenditure will be to raise funds by issuing corporate bonds to obtain lower capital costs.

### 2. Fluctuation of exchange rates

The Company's products are mainly priced in US dollars. Recently, the exchange rate of the New Taiwan dollar against the US dollar has fluctuated volatily, resulting in profit on exchange. In view of this, the Company will strengthen its ability to manage foreign exchange risks. In addition to continuously collecting exchange rate information and fully grasping the exchange rate trends, the bank will be invited to provide professional advice and suggestions to decide when to convert the New Taiwan dollar or keep it in the foreign exchange account. In addition, in terms of the management of foreign exchange positions, funds are dispatched and used to meet foreign exchange expenditures with their own foreign exchange income to effectively reduce exchange risk.

### 3. Inflation

The Company established a good cooperative relationship with the wafer foundry and back-end packaging and testing plants to ensure that the production capacity can be obtained and obtain stable processing prices, and through the provision of technical services for product design, actively develop cooperation with other domestic and foreign foundries Besides, the Company obtained more diversified resources of wafer foundry manufacturers, thereby reducing the impact of inflation.

- (II) Policies of engaging in high-risk, high-leverage investments, loans to others, providing endorsements/guarantees and derivatives transactions, main reasons for the profits and losses generated thereby and future response measures to be undertaken:

The Company has not engaged in high-risk, high-leveraged investment and derivative financial commodity transactions in the most financial recent year and up to the date of publication of the prospectus. The object of loan and endorsement guarantee of funds is limited to the subsidiaries, and it is handled in accordance with the provisions of the "Operational Procedures for Loaning Funds to Others" and "Procedures of Provision of Endorsements/Guarantees". As of the date of publication of the public statement in 2018 and 2019 of the Company, there was no loan to others.

- (III) Future R&D plans and expected investments in R&D:

- (1) The products operated by the Company are highly changing industries. Therefore, it is necessary to leverage on market opportunities, launch new products, and develop new processes to reduce costs.
- (2) The competitiveness of the Company is sustained by its research and development capabilities. The Company will continue to invest in research and development expenditures, and continue to recruit and train outstanding talents to achieve this goal and create a good business performance for the Company.
- (3) Expected R&D investments

Main R&D projects / new products	Key success factors for R&D projects
xMB SDRAM 2Xnm product development project	Existing experience in SDRAM technology

xMB DDR2 SDRAM 3Xnm product development project	Existing experience in DDR SDRAM technology
xGB DDR3 SDRAM 2Xnm product development project	Existing experience in DDR2 SDRAM technology
xGB DDR4 SDRAM 2Xnm product development project	Existing experience in DDR3 SDRAM technology
xMB FLASH 5Xnm product development project	Existing experience in Flash technology
Power IC, analog IC product development project	Existing experience in IC, analog IC technology
Development of new products	Strong R&D performance and experience

estimated R&D expenditure for 2021 is approximately NT\$ 800 million.

(IV) The impact of changes in important domestic and foreign policies and laws adopted on the Company's financial operations, and the countermeasures thereof:

(1) The Company's management team has been paying close attention to any policies and laws that may affect the Company's finances and business. In addition, the Company has also cooperated with professional institutions to continue to pay close attention to the development of relevant laws and regulations and to adjust immediately to meet the needs of operations.

(2) Countermeasures

The Company's current operations are in compliance with the relevant existing laws and regulations of domestic and foreign reinvestment countries. The management team will also continue to pay close attention to any changes in policies and laws that may affect the Company's finances and business, as a reference for operations. In addition, the Company also cooperates with professional organizations to pay close attention to the development of relevant laws and regulations, and immediately adjusts its strategy to meet the needs of operations. Therefore, the Company can timely manage and respond to important domestic and foreign policy and legal changes.

(V) Impact of technological and market changes on the Company's finances and business, and the countermeasures thereof:

(1) Impact on the Company's finance and business due to technological and industrial changes, and the countermeasures thereof

The company is one of the leading manufacturers in its industry. Technology R&D and innovation are the indispensable elements of the Company's operations, and it is also the Company's main competitive niche. Therefore, technological

changes have a positive effect on the Company's financials.

(2) Countermeasures

The Company will continue to strengthen its research and development capabilities, pay attention to domestic and foreign technology and market development directions at all times, and strengthen cash flow management and maintain a stable financial structure in order to diversify operating risks in response to the Company's operational needs.

(VI) The impacts of the change of corporate image on the enterprise crisis management, and the countermeasures thereof:

The Company focuses on its business operation and has achieved outstanding performance, and it is committed to distributing the business results back to the shareholders. The corporate image has always been good, and the Company publishes all messages through a spokesperson or agent spokesperson, who can provide timely explanations in regards to reports and news that could affect the Company's image, so there is no threat to the corporate image. In the future, while pursuing the maximization of shareholders' interests, the Company will continue to fulfill its corporate social responsibilities and improve the corporate image.

(VII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A), and the countermeasures thereof: None.

(VIII) Expected benefits, possible risks and countermeasures for the expansion of plants: The Company currently has no plans to expand the plants.

(IX) Risks associated with over-concentration in procurement and sales, and the countermeasures thereof:

(1) Risk of concentrated procurement

The Company is a professional IC design company. The main raw materials in the production process are wafers and lead frames. The wafers are produced by wafer foundries. Since China is the world's largest wafer foundry production area, meanwhile there are only few wafer foundries in domestic industry. Therefore, domestic IC design companies generally in the industry tends to have their purchasing concentrated in a certain wafer foundry. In addition to continuing to establish good cooperative relations with wafer foundries to ensure production capacity, the Company actively develops cooperative relations with other domestic and foreign wafer foundries by providing technical services for product design to diversify the concentration of incoming purchases.

(2) Risk of concentrated sales

Based on the consideration of professional division of labor and emphasis on efficiency, most products are mainly sold through agents. In recent years, sales of

goods have gradually deviated from focusing on the few particular customers. In response to the growing trend of the company and industry in the future, the Company will further diversify appropriately and diversify its future sales targets to maintain a more balanced and stable operating result, which is the goal of the Company's continuous efforts.

- (X) Impact and risks resulted from major equity transfer or replacement from the Directors, Supervisors, or major shareholders holding more than 10% of the Company's shares, and the countermeasures thereof:
- (XI) The effect upon and risk to the Company associated with any change in governance personnel or top management and response measures being or to be taken: None.
- (XII) If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the publication date of this Annual Report shall be disclosed: None.
- (XIII) Other material risks and countermeasures: None

## VII. Other important matters:

### Information Security Policy and Management Plan

#### 1. Information Security Management Framework

The Information Technology Department is responsible for information security and formulating and implementing information security policies. Every three months, the information security implementation plan and implementation status are reported to the management to ensure the continuous and effective operation of the internal security management mechanism.

The Internal Audit Department is the audit unit of the Information Technology Department. If the audit discovers any discrepancies, the department shall require the audit unit to propose relevant improvement plans and regularly track the improvement results to reduce internal security risks.

The organization's operation mode adopts PDCA (Plan-Do-Check-Act) circular management to build a complete security management system to effectively prevent the occurrence of information security incidents, ensure the achievement of information security goals, and continue to optimize and improve.

## 2. Information Security Policy

This policy is to protect the security of all information assets of Elite Semiconductor Microelectronics Technology Inc., and to prevent internal or external, intentional or accidental threats and destruction that may result in business failure or information tampering, fetching or damage, so as to fulfill our goal of sustainability operation.

### 1. Definition of Information Security

Protect the Company's information and information systems from unauthorized entry, use, disclosure, destruction, modification, inspection, recording and destruction, and maintain the availability of existing information systems.

### II. Information Security Objective

1. Ensure the confidentiality of business-related information and protect company confidentiality.
2. Ensure the integrity and availability of business-related information.
3. Improve Information Security Protection Capabilities.

### 3. Scope of Information Security

This policy applies to various information systems within the Company, internal colleagues, and vendors and third-party personnel who have access to business information or provide services.

## 3. Information Security Management Solution

The Company has invested in hardware equipment electronic insurance for business assets, such as information systems, network equipment and other information equipment, and avoids equipment being stolen or malicious damage through security monitoring operations. In view of the fact that information security is an emerging type of insurance, considering the comprehensive effect of topics such as insurance coverage, claims coverage, claims identification, and qualifications of identification institutions, the Company will not purchase information security insurance for the time being after evaluation. However, in response to the challenges faced by information security, such as APT advanced persistent attacks, DDos attacks, ransomware, social engineering, and stolen funds and other security issues, the following strategies have been adopted: Keep track of the changes in the information environment in accordance with the Company's information security policy, and develop information security protection mechanisms and solutions with reference to technical information. Join ISAC to obtain the latest attack information and take appropriate defensive countermeasures. Conduct regular safety inspections, information security and health consultations, social security and information

security drills, strengthen the Company's colleagues' awareness on security crisis and their responsiveness, in order to prevent in advance and effectively identify and prevent proliferation immediately.

#### 4. Information Security Management Measures, including:

Information Security Management		
Type	Description	Relevant Operation
<b>Access control</b>	Management measures for personnel account, authority management and system operation behavior	<ul style="list-style-type: none"> <li>● Personnel account permission management and review</li> <li>● Periodic check of personnel account permissions</li> </ul>
<b>Access control</b>	Control measures for personnel to access internal and external systems and data transmission channels	<ul style="list-style-type: none"> <li>● Internal/external access control measures</li> <li>● Confidential information leakage control</li> <li>● Operation behavior track record</li> </ul>
<b>External threat</b>	Potential internal weaknesses, poisoning pipelines and protective measures	<ul style="list-style-type: none"> <li>● Host/computer weakness protection and update measures</li> <li>● Virus protection and malware detection</li> <li>● Network threat monitoring</li> </ul>
<b>System availability</b>	System availability and measures to deal with service interruption	<ul style="list-style-type: none"> <li>● System/network availability monitoring and notification mechanism</li> <li>● Contingency measures for service interruption</li> <li>● Information backup measures, local/offsite backup mechanism</li> <li>● Regular disaster recovery drills</li> </ul>

### Intelligent Property Management Plan

With the continuous advancement of technology, the Company has been increasing its investment in R&D costs year by year. To strengthen the competitiveness of the Company's business operations and maintain the state-of-the-art technologies obtained through the hard

work of the R&D staff, the Company's intellectual property management combines the Company's operational objectives and R&D resources to establish an operation model that creates corporate value and intangible assets through intellectual property rights. The business management model that combines corporate product strategy, R&D strategy and intellectual property strategy bolsters the utilization of the Company's intellectual property, not only to protect the Company's freedom of operation and strengthen its competitiveness, but also to help the Company make profits.

#### 1. Patent Protection Measures

To enhance the competitiveness of intellectual property, the Company's patent application strategy includes not only patent placement for existing and future products, but also patent placement for specific technologies in a strategic or walled mode. The Company has dedicated staff for intellectual property management, from relevant literature search, technical discussion and patent map preparation for specific technologies before product development to the maintenance of the patent after application, to keep the quality of patent technologies under strict control. In the meantime, the Company monitors the patent application profiles of its competitors to learn the development trend of their products and technologies and whether there are any concerns about patent infringement.

The Company also pays attention to the patent transfer and patent trading market. Whenever various trading platforms (such as ITRI, AS, TWTM, etc.) hold patent transfer or matchmaking activities, the Company will select and evaluate whether there are opportunities for such technologies to be transferred or matched, so as to revitalize the value of the Company's patents. The Company has a patent evaluation committee consisting of senior executives, experienced technical executives who are familiar with the technology field, and expert consultants to enhance the quality of patents through a graded review process. The Company has also established an appropriate patent incentive system to encourage employees to actively file patent applications, and through unscheduled education and training related to patent technology to raise employees' awareness of professional technology and patent protection.

#### 2. Protection of Trade Secrets

The protection of trade secrets is crucial to the Company's competitive advantages, such as technological leadership, manufacturing excellence and customer trust, and is even more crucial to the Company as an IC design company with its own product development and design.

The Company has formulated internal rules and regulations for the management of trade secrets. The Company regularly conducts training courses for new recruits on the protection of trade secrets, and from time to time, makes internal announcements to inform employees of

its policy on trade secrets protection. All employees are required to sign a written non-disclosure agreement upon their arrival at and departure from the Company, which is to ensure that they fulfill their duties and obligations of confidentiality to the Company's confidential information. The Company has established a document control system and has set up a Document Control Center (DCC) dedicated to managing and maintaining important technical information of the Company. The Company also attaches great importance to information security, and has established information security management regulations and implemented relevant measures to prevent improper leakage of company information that could harm the interests of the Company. The Company also organizes training on trade secrets from time to time to raise employees' professional awareness of the protection of company secrets and related laws and regulations.

### **3. Management of Trademark Rights**

Since its establishment, the Company has been actively engaged in trademark placement in countries where the Company's products are mainly sold to obtain protection of trademark rights. The Company has designated personnel to handle pre-application trademark searches, management of trademark cases and trademark databases, as well as trademark rights enforcement matters, so that the Company can market its products worldwide under its own brand name.

#### **4. Copyright Management**

To protect the Company's confidential information and patent technology rights, if the Company's product technology needs to be published or made public through journals, papers, seminars, etc., the Company will first review and manage it, and establish control and review methods to ensure the implementation of internal review mechanisms to prevent the improper disclosure of important technical information.

### **Implementation Status**

The Company submitted a report on matters related to intellectual property to the Board of Directors at the tenth meeting of the eighth Board (Dec. 23, 2020) and proposed improvement measures in response to the Directors' recommendations.

Since its establishment, the Company has been committed to building a sound intellectual property management system step by step. In the recent years, the Company has implemented the following:

1. Since 2006, the Company has invited renowned scholars and the head of the Legal and Intellectual Property Division of the Company to give lectures to our employees on the protection of trade secrets and the basic concepts related to the acquisition of patent technologies and patent rights.

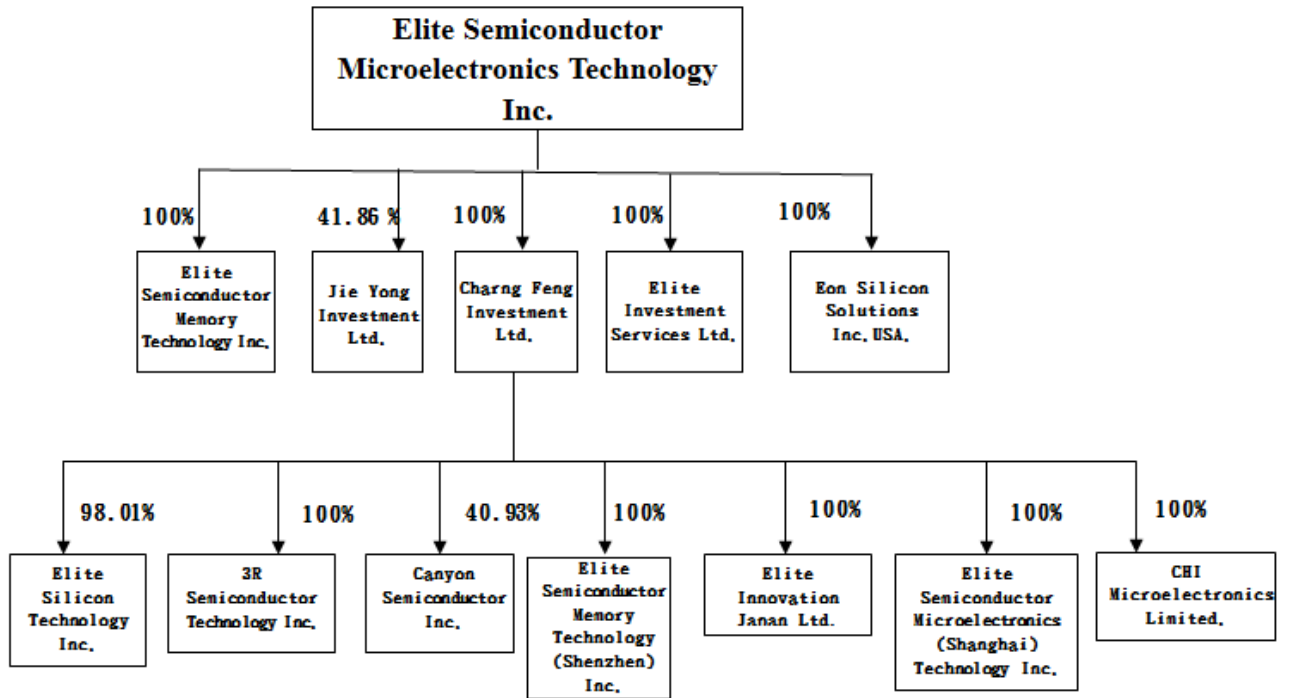


2. Since 2011, the Company has participated in the Intellectual Property Office's corporate intellectual property promotion activities and invited renowned lawyers and scholars to the Company to provide education and training for its employees on topics and practical discussions related to patents, trademarks, copyrights and trade secrets.
3. In 2013, the Company updated its patent application procedures and implemented a tiered patent examination system.
4. In 2014, the Company established a mechanism for request for and review of public disclosure of the Company's information.
5. In 2015, the Company established and implemented patent technology placement and analysis strategy for new products to match the technology areas in which the development of new products is involved.
6. In 2017, the Company updated and established a complete intellectual property information management system to enhance the management of various applications and rights protection information, and further updated the intellectual property protection strategy and patent evaluation system to support new business development and operation.
7. In 2018, the Company invited Professor of the Law Department of Soochow University and Director of the Intellectual Property Law Research Center to give lectures on copyright protection and fair use. In addition, the head of the Company's patent department organized special educational training for the R&D staff to analyze patent technical issues.
8. In 2019, the Company investigated the classification standards for important information and evaluated patent licensing companies and patent insurance.
9. In 2020, the Company evaluated the feasibility of introducing the Taiwan Intellectual Property Management System (TIPS).
10. The current list of intellectual property acquisition are as follows.
  - (1) Patents: By December 2020, the total number of patents granted worldwide had accumulated over 419, of which 32 domestic and foreign patents were granted in 2020 alone.
  - (2) Trademarks: By December 2020, the Company had obtained a total of 36 registered trademarks in major target countries for its presence and operation.

# Special Disclosures

## I. Information about the Company's Affiliated Companies 1. Organization Structure of Affiliated Companies

2020/12/31



## 2. Basic Information of Affiliated Companies

Unit: NT\$

Name	Date of Incorporation	Address	Actual Paid-in Capital	Primary Business
Elite Semiconductor Memory Technology Inc.	1992.11.05	1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City	NT\$ 1,000,000	Research and development, production, sales and related consulting services of integrated circuit
Charng Feng Investment Ltd.	200.05.22	1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City	NT\$ 500,000,000	General investment
Elite Investment Services Ltd.	2006.07.04	Citio Building P.O.Box 662, Road Town Tortola, British Virgin Islands	US\$ 15,000,000	General investment
Jie Yong Investment Ltd.	2009.01.16	2/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City	NT\$ 86,000,000	General investment
3R Semiconductor Technology Inc.	2004.11.22	1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City	NT\$ 100,000,000	Electronic component manufacturing, information software services, product design, other business services, other consulting services and international trade
Elite Silicon Technology Inc.	2005.04.07	5/F, No. 24-2, Gongye East 4th Road, East District, Hsinchu City	NT\$ 76,000,000	Information software services, product design, other business services, other consultancy services, and international trade
Canyon Semiconductor Inc.	2013.06.26	3/F, No. 19-1, Gongye East 4th Road, East District, Hsinchu City	NT\$ 204,000,000	Integrated circuit design and manufacturing of electronic components
Elite Innovation Japan Ltd.	2011.12.16	4-8-11 Takanawa, Minato-ku, Tokyo	JPY 10,000,000	Electronic component manufacturing, information software services, product design, other business services, other consulting services and international trade
Eon Silicon Solutions Inc. USA	2003.02.01	4699 Old Ironsides Drive, Suite 300 Santa Clara, CA95054 USA	US\$ 100,000	FLASH product design, development and testing
Elite Semiconductor Memory Technology (Shenzhen) Inc.	2011.08.09	Unit A, Tian'an Digital City I, Futian District, Shenzhen	US\$ 200,000	Technical consultation and service, after-sales service
Elite Semiconductor Microelectronics (Shanghai) Technology Inc	2019.11.27	Room 2515, No. 18 Xinqiniao Road, China (Shanghai) Pilot Free Trade Zone	CNY\$ 1,406,000	Product design, wholesale and retail of electronic materials, information software services and international trade
CHI Microelectronics Limited.	2020.8.31	15/F Boc Group Life Assurance Tower 136 Des Voeux RD Central HK	HKD\$ 100,000	Trading

Note 1: The foreign currency investment amount is converted based on the exchange rate on December 31, 2020.

## 3. Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

4. The affiliated companies' business and operations, the industries they cover, and their correspondence and division of labor:

Name	Division of Labor in Interaction
Elite Semiconductor Memory Technology Inc.	IC production, sales and related consulting services
Charng Feng Investment Ltd.	General investment industry: Not applicable
Elite Investment Services Ltd.	General investment industry: Not applicable
Jie Yong Investment Ltd.	General investment industry: Not applicable
3R Semiconductor Technology Inc.	R&D, production, sales and related consulting services of MEMS
Elite Silicon Technology Inc.	SoC IC R&D, production, sales and related consulting services
Canyon Semiconductor Inc.	Power IC R&D, production, sales and related consulting services
Elite Innovation Japan Ltd.	IC sales and related consulting services
Eon Silicon Solutions Inc. USA	FLASH product design, development and testing
Elite Semiconductor Memory Technology (Shenzhen) Inc.	Technical consultation and service, after-sales service
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Technical consultation and service, after-sales service
CHI Microelectronics Limited.	Trading

5. Information of Directors, Supervisors and Presidents in all affiliated companies:

December 31, 2019

Name	Title	Name or Representative	Shareholding		Remarks
			Number of Shares	Percentage of Shareholding	
Elite Semiconductor Memory Technology Inc.	Chairman of the Board and President	Hsing-Hai Chen	100,000	100.00%	Representative of Elite Semiconductor Microelectronics Technology Inc.
Charng Feng Investment Ltd.	Chairman of the Board and President	Ming-Chien Chang	50,000,000	100.00%	Representative of Elite Semiconductor Microelectronics Technology Inc.
Elite Investment Services Ltd.	Director	Hsing-Hai Chen	15	100.00%	Representative of Elite Semiconductor Microelectronics Technology Inc.
	Director	Ming-Chien Chang	15	100.00%	Representative of Elite Semiconductor Microelectronics Technology Inc.
Jie Yong Investment Ltd.	Chairman of the Board and President	Hsing-Hai Chen	800,000	9.30%	
	Director	Ming-Chien Chang	400,000	4.65%	
	Director	Kuan-Chun Chang	500,000	5.81%	
	Director	Yeong-Wen Daih	200,000	2.33%	
	Supervisor	Show-Rong Peng	200,000	2.33%	
3R Semiconductor Technology Inc.	Chairman of the Board and President	Hsing-Hai Chen	10,000,000	100.00%	Representative of Charng Feng Investment
Elite Silicon Technology Inc.	Chairman of the Board	Hsing-Hai Chen	7,448,960	98.01%	Representative of Charng Feng Investment

Name	Title	Name or Representative	Shareholding		Remarks
			Number of Shares	Percentage of Shareholding	
	Director	Ming-Chien Chang	7,448,960	98.01%	Representative of Charmg Feng Investment
	Director	Jennifer Feng	7,448,960	98.01%	Representative of Charmg Feng Investment
	Supervisor	Candy Chu	0	0.00%	
Canyon Semiconductor Inc.	Chairman of the Board	Kuan-hsi Chen	7,795,000	38.21%	Representative of Charmg Feng Investment
	Director	Ernest Shyh Yuh Lin	10,400,000	50.98%	Representative of Diodes Holding B.V. (the Netherlands)
	Director	Sam Chen	7,795,000	38.21%	Representative of Charmg Feng Investment
	Director	Sam Chen	75,000	0.37%	
	Director	Evan Yu	10,400,000	50.98%	Representative of Diodes Holding B.V. (the Netherlands)
	Director and President	William Yang	10,400,000	50.98%	Representative of Diodes Holding B.V. (the Netherlands)
	Director and President	William Yang	450,000	2.21%	
	Supervisor	Patricia Hwang	0	0%	
	Supervisor	Hong-Gee Wu	0	0%	
Elite Innovation Japan Ltd.	Director	Yajima Masaharu	200	100.00%	Representative of Charmg Feng Investment
	Director	Chih-Hong Ho	200	100.00%	Representative of Charmg Feng Investment
	Director	Hong-Gee Wu	200	100.00%	Representative of Charmg Feng Investment
	Supervisor	Candy Chu	200	100.00%	Representative of Charmg Feng Investment
Eon Silicon Solutions Inc. USA	Directors	Ming-Chien Chang	200,000	100.00%	Representative of Elite Semiconductor Microelectronics Technology Inc.
Elite Semiconductor Memory Technology (Shenzhen) Inc.	Legal Representative	Chih-Hong Ho	-	100.00%	Representative of Charmg Feng Investment
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Legal Representative	Chih-Hong Ho	-	100.00%	Representative of Charmg Feng Investment
CHI Microelectronics Limited.	Legal Representative	Kun-Ren Chang	10,000	100.00%	Representative of Charmg Feng Investment

## 6. Operations Overview of Affiliated Companies

December 31, 2020 Unit: NT\$1,000

Name	Capital	Total Asset	Total liabilities	Net Value	Revenue	Operating Profit (Loss)	Profit (Loss) of the FY	Earnings Per Share (NT\$)
Elite Semiconductor Memory Technology Inc.	1,000	138,616	114,381	24,235	381,336	12,492	9,712	97.12
Chang Feng Investment Ltd.	500,000	513,426	1,295	512,131	—	( 1,607)	112,211	2.24
Elite Investment Services Ltd.	427,200	620,499	—	620,499	—	( 16)	( 7,222)	( 481,445.47)
Jie Yong Investment Ltd.	86,000	918,198	201	917,997	—	( 381)	13,823	1.61
3R Semiconductor Technology Inc.	100,000	22,004	51	21,953	—	( 642)	( 567)	( 0.06)
Elite Silicon Technology Inc.	76,000	2,623	2,084	539	18,275	( 33)	( 154)	( 0.20)
Canyon Semiconductor Inc.	204,000	111,040	28,258	82,782	149,872	2,474	1,642	0.08
Elite Innovation Japan Ltd.	2,111	3,426	1,231	2,195	7,198	231	116	578.99
Eon Silicon Solution Inc. USA	13,304	13,473	14,884	( 1,411)	75,853	( 723)	( 240)	( 1.20)
Elite Semiconductor Memory Technology (Shenzhen) Inc.	2,549	6,454	1,834	4,619	23,111	1,318	1,224	—
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	5,696	10,272	3,639	6,633	15,025	846	581	—
CHI Microelectronics Limited.	367	367	-	367	-	-	( 4)	( 0.45)

Consolidated financial statements of affiliated companies: Please refer to #page 104#.

Elite Semiconductor Microelectronics Technology Inc  
Declaration of Consolidated Financial Statements of Affiliated Companies

The entities that are required to be included in the consolidated financial statements of Elite Semiconductor Microelectronics Technology Inc. for the year ended December 31, 2020 (January 1 to December 31, 2020), under the Criteria Governing the Preparation of Affiliated Enterprise Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared by

Company Name: Elite Semiconductor Microelectronics  
Technology Inc

Person-in-charge: Hsing-Hai Chen

February 26, 2021

II. Private placement of securities for the most recent financial year until the date of the publication of the Annual Report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent financial year or during the current financial year up to the date of the publication of the annual report:

Unit: NT\$1,000; 1,000share; %

Name of Subsidiaries	Actual Paid-in Capital	Source of Funding	Shareholding Percentage of the Company	Date of Acquisition or Disposal	Number and Value of Shares Acquired	Number and Value of Shares Disposed	Gain (Loss) from Investment	Number and Value of Shares Held until the publication of the Annual Report	Condition of Setting the Pledges	Amount of Endorsement Made for the Subsidiaries	Amount Loaned to the Subsidiaries
Jie Yong Investment Ltd.	86,000	Internally Generated Funds	41.86%	March 26, 2020~	715	-	-	14,154	-	-	-
				March 31, 2020	19,894	-	-	347,942			
			Current financial year up to the publication date of the Annual Report	-	-	-	-	-	-		
			-	-	-	-	-	-	-		

IV. Other Necessary Supplements: None.

V. In the most recent financial year up the date of publication of the Annual Report, if there an issue of significant impact on shareholders' equity or securities prices as stipulated in Article 36, paragraph 2, subparagraph 2 of the securities exchange Act: None.



Elite Semiconductor Microelectronics  
Technology Inc.



Chairman of the Board: Hsing-Hai Chen



President: Ming-Chien Chang

