Stock Code:2383

ELITE MATERIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: **No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.)**
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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors’ Report

To the Board of Directors of ELITE MATERIAL CO., LTD.:

Opinion

We have audited the financial statements of ELITE MATERIAL CO., LTD.(“the Company”), which comprise the statement of financial position as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the years ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1.Revenue recognition

Please refer to Note 4(n) "Revenue" and Note 6(q) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers.

Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the reporting date to assess the rationality to the recognition timing of sales revenue.

2. Allowance for Inventory Valuation

Please refer to Note (4)(g) "Inventories" and Note (6)(e)" Inventories" of the consolidated financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Company. Inventories have specific life cycle due to their attributes. Apart from this, the Company prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consequently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Company would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Company is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Company' s accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company' 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the 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.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Chung-Yi Chiang and Yi-Chun Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 480,252	2	275,297	1
1110	Total current financial assets at fair value through profit or loss (Note (6)(b))	4,561	-	-	-
1150	Notes receivable, net (Note (6)(c))	207,212	1	234,267	1
1170	Accounts receivable, net (Note (6)(c))	1,905,642	9	1,556,604	9
1181	Accounts receivable due from related parties (Notes (6)(c) and (7))	485,669	3	488,707	3
1200	Other receivables, net (Note (6)(d))	583,581	3	54,170	-
1220	Current tax assets	-	-	134,792	1
1310	Inventories (Note (6)(e))	808,051	4	639,120	4
1470	Other current assets	43,903	-	31,912	-
		4,518,871	22	3,414,869	19
	Non-Current Assets:				
1550	Investments accounted for using equity method, net (Note (6)(f))	13,432,065	67	11,951,050	68
1600	Property, plant and equipment (Note (6)(g))	2,015,030	10	2,126,016	12
1780	Intangible assets	5,844	-	4,160	-
1840	Deferred tax assets (Note (6)(n))	218,002	1	111,292	1
1900	Other non-current assets	72,265	-	74,769	-
1920	Guarantee deposits paid	633	-	1,895	-
		15,743,839	78	14,269,182	81
	Total assets	**$ 20,262,710**	**100**	**17,684,051**	**100**

	LIABILITIES AND STOCKHOLDERS' EQUITY	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(h))	$ 579,568	3	517,758	3
2110	Short-term notes payable (Note (6)(i))	99,969	1	199,655	1
2170	Accounts payable	1,830,432	9	1,614,594	9
2180	Accounts payable to related parties (Note (7))	41,625	-	9,620	-
2200	Other payables	1,170,921	6	486,872	3
2230	Current tax liabilities	85,851	-	-	-
2321	Bonds payable, current portion (Note (6)(k))	1,364,280	7	-	-
2365	Current refund liabilities (Note (6)(l))	13,746	-	5,973	-
2322	Long-term borrowings, current portion (Note (6)(j))	250,000	1	100,000	1
2399	Other current liabilities, others	5,601	-	5,516	-
		5,441,993	27	2,939,988	17
	Non-Current liabilities:				
2530	Bonds payable (Note (6)(k))	-	-	1,344,900	8
2540	Long-term borrowings (Note (6)(j))	100,000	-	300,000	2
2551	Non-current provisions for employee benefits (Note (6)(m))	7,567	-	12,716	-
2570	Deferred tax liabilities (Note(6)(n))	1,185,403	6	1,167,141	6
2500	Non-current financial liabilities at fair value through profit or loss (Note(6)(b))	-	-	11,022	-
2645	Guarantee deposits received	7,816	-	8,087	-
		1,300,786	6	2,843,866	16
	Total liabilities	6,742,779	33	5,783,854	33
	Equity attributable to owners of parent (Note (6)(o)):				
3100	Capital stock	3,197,080	16	3,196,524	18
3200	Capital surplus	628,858	3	623,721	3
	Retained earnings:				
3310	Legal reserve	1,710,929	9	1,535,792	9
3320	Special reserve	423,554	2	237,192	1
3351	Accumulated profit and loss	8,391,903	41	6,730,522	38
3400	Other equity interest	(832,393)	(4)	(423,554)	(2)
	Total equity	13,519,931	67	11,900,197	67
	Total liabilities and equity	**$ 20,262,710**	**100**	**17,684,051**	**100**

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (Note (6)(q) and Note (7))**	$ 7,186,702	100	6,221,721	100
5000	**Operating costs (Note (6)(e) and Note (7))**	(5,877,528)	(82)	(5,474,462)	(88)
	Gross profit from operations	1,309,174	18	747,259	12
5910	Less: Unrealized profit from sales	(4,300)	-	(11,488)	-
5920	Add: Realized profit on from sales	11,488	-	5,225	-
	Gross profit from operations	1,316,362	18	740,996	12
	Operating expenses:				
6100	Total selling expenses	(198,994)	(3)	(188,921)	(3)
6200	Total administrative expenses	(356,637)	(5)	(214,155)	(3)
6300	Total research and development expenses	(168,928)	(2)	(152,747)	(3)
6450	Expected credit loss	(95)	-	-	-
6300	**Total operating expenses**	(724,654)	(10)	(555,823)	(9)
	Net operating income	591,708	8	185,173	3
	Non-operating income and expenses:				
7010	Other income (Note (6)(s))	1,248	-	4,910	-
7020	Other gains and losses, net (Note (6)(s))	13,268	-	(6,536)	(1)
7370	Share of profit of associates and joint ventures accounted for using equity method	3,086,423	43	2,265,635	36
7050	Finance costs (Note (6)(s))	(38,126)	-	(30,670)	-
	Total non-operating income and expenses	3,062,813	43	2,233,339	35
	Profit from continuing operations before tax	3,654,521	51	2,418,512	38
7950	**Less: Income tax expenses (Note (6)(n))**	(413,676)	(6)	(667,134)	(11)
	Profit	3,240,845	45	1,751,378	27
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(4,106)	-	(5,257)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(369)	-	(69)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	821	-	3,091	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(3,654)	-	(2,235)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(510,587)	(7)	(242,915)	(4)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	102,117	1	56,622	1
	Components of other comprehensive income that will be reclassified to profit or loss	(408,470)	(6)	(186,293)	(3)
8300	**Other comprehensive income, net**	(412,124)	(6)	(188,528)	(3)
	Total comprehensive income	**$ 2,828,721**	**39**	**1,562,850**	**24**
	Basic earnings per share (Note (6)(p))(dollars)	**$**	**10.14**		**5.48**
	Diluted earnings per share (Note (6)(p))(dollars)	**$**	**9.73**		**5.32**

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Changes in Equity

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Unrealised gains (losses) on equity instruments at fair value through other comprehensive income	Total equity
Balance at January 1, 2018	$ 3,196,524	623,721	1,256,696	126,586	6,905,344	(237,192)	-	11,871,679
Profit for the year ended December 31, 2018	-	-	-	-	1,751,378	-	-	1,751,378
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(2,166)	(186,293)	(69)	(188,528)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,749,212	(186,293)	(69)	1,562,850
Earnings distribution:								
Legal reserve	-	-	279,096	-	(279,096)	-	-	-
Special reserve	-	-	-	110,606	(110,606)	-	-	-
Cash dividends on ordinary share	-	-	-	-	(1,534,332)	-	-	(1,534,332)
Balance at December 31, 2018	3,196,524	623,721	1,535,792	237,192	6,730,522	(423,485)	(69)	11,900,197
Profit for the year ended December 31, 2019	-	-	-	-	3,240,845	-	-	3,240,845
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(3,285)	(408,470)	(369)	(412,124)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	3,237,560	(408,470)	(369)	2,828,721
Earnings distribution:								
Legal reserve	-	-	175,137	-	(175,137)	-	-	-
Special reserve	-	-	-	186,362	(186,362)	-	-	-
Cash dividends on ordinary share	-	-	-	-	(1,214,680)	-	-	(1,214,680)
Conversion of convertible bonds	556	5,623	-	-	-	-	-	6,179
Conversion of convertible bonds to ordinary shares	-	(486)	-	-	-	-	-	(486)
Balance at December 31, 2019	**$ 3,197,080**	**628,858**	**1,710,929**	**423,554**	**8,391,903**	**(831,955)**	**(438)**	**13,519,931**

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	3,654,521	2,418,512
Adjustments:			
Adjustments to reconcile profit :			
Depreciation expense		179,258	169,241
Amortization expense		2,451	2,388
Expected credit loss		95	-
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		(15,606)	5,153
Interest expense		13,030	5,976
Interest income		(1,248)	(4,910)
Share of loss of subsidiaries,associates and joint ventures accounted for using equity method		(3,086,423)	(2,265,635)
Gain on disposal of property, plan and equipment		(5)	(50)
Amortized discounted corporate bonds payable-interest expense		25,096	24,694
Total adjustments to reconcile profit		(2,883,352)	(2,063,143)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		26,960	29,402
Accounts receivable		(349,038)	41,199
Accounts receivable due from related parties		3,038	(266,861)
Other receivable		(529,411)	(30,626)
Inventories		(168,931)	46,817
Deferred revenues		(6,675)	6,233
Other current assets		(11,991)	4,835
Other assets		2,504	13,231
Total changes in operating assets		(1,033,544)	(155,770)
Changes in operating liabilities:			
Accounts payable		215,838	105,989
Accounts payable to related parties		32,005	(34,227)
Other payable		678,325	(183,573)
Current refund liabilities		7,773	(9,145)
Other current liabilities		85	827
Net defined benefit liability		(9,255)	(14,170)
Total changes in operating liabilities		924,771	(134,299)
Total changes in operating assets and liabilities		(108,773)	(290,069)
Total adjustments		(2,992,125)	(2,353,212)
Cash inflow generated from operations		662,396	65,300
Interest received		1,248	5,033
Dividends received		1,430,538	-
Interest paid		(13,371)	(5,656)
Income taxes paid		(178,542)	(390,076)
Net cash flows from (used in) operating activities		1,902,269	(325,399)
Cash flows from investing activities:			
Acquisition of investments accounted for using equity method		(329,412)	(291,652)
Acquisition of property, plant and equipment		(61,893)	(223,943)
Proceeds from disposal of property, plant and equipment		5	50
Decrease in refundable deposits		1,262	2,067
Acquisition of intangible assets		(4,135)	(3,753)
Net cash flows used in investing activities		(394,173)	(517,231)
Cash flows from financing activities:			
Increase in short-term loans		61,810	367,433
(Decrease) increase in short-term notes and bills payable		(100,000)	200,000
Proceeds from long-term debt		450,000	400,000
Repayments of long-term debt		(500,000)	-
Decrease in guarantee deposits received		(271)	(3,029)
Cash dividends paid		(1,214,680)	(1,534,332)
Net cash flows used in financing activities		(1,303,141)	(569,928)
Net increase (decrease) in cash and cash equivalents		204,955	(1,412,558)
Cash and cash equivalents at beginning of period		275,297	1,687,855
Cash and cash equivalents at end of period	$	480,252	275,297

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

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

ELITE MATERIAL CO., LTD. (the "Company") was incorporated on March 24, 1992 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The main operating activities are the manufacturing and selling of copper clad laminates, electronic-industrial specialty chemical and raw materials, work-in-process, and finished goods of electronic components. The manufacturing and selling of printed circuit board is the main source of sales revenue.

The Company's common shares were traded on the Taipei Exchange (TPEx) on December 26, 1996, and its shares were publicly listed and traded on the Taiwan Stock Exchange (TSE) on November 27, 1998. The Company's registered office is on No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.).

(2) Approval Date and Procedures of the Financial Statements

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

(3) New Standards and Interpretations Adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) The impact of IFRS issued by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company assessed that the above IFRSs may not be relevant to the Company.

(4) Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. Except for those described individually.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines).

(b) Basis of preparation

1.Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial assets and liabilities at fair value through profit or loss in fair value measurement;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, Exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Assets and liabilities classified as current and non-current

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1.Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and trade receivable, that the Company intends to sell immediately or in the near term are measured at FVTPL: however they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract;

· the lender of the borrow, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization;or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2.Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

4) Derecognizing of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in the statement of comprehensive income.

5) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37, or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing them to their present location and condition. Inventory cost is calculated using the weighted-average-cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes, of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of undated Company's interests in the associate.

When the Company's share of losses of an associated equals or exceeds its interests in an associate, it discounters recognizing its share of further losses. After the recognized interest is redact to zero. Additional losses are provided for and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant, and equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2.Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3.Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	2 years~ 56 years
2) Machineries	3 years~ 19 years
3) Miscellaneous equipment	2 years~ 14 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible assets

Software that is acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1.Softwares	2 years~ 5 years
2.Loyalties	9 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision of sales discounts from defective products is recognized when selling. The provision is estimated and measured on related probabilities of historical experience data and all possible results.

(n) Revenue

1.Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods-electronic components

The Company manufactures and sells electronic components to computer, automobile, and tele-communication manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company’s obligation to provide a refund for faulty products is recognized at the time of sale. Accumulated experience is used to estimate such returns at the time of sale. The amount estimated is recognized as a provision for warranty at reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2.Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1.temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

2.temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3.taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

1.the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

2.the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding, after adjustment for the effects of all potential dilutive ordinary shares, such as convertible bonds.

(r) Operating segments

Please refer to the consolidated financial report of Elite Material Co., Ltd. for the years ended December 31, 2019 and 2018 for operating segments information.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note (6)(e) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2019.12.31	**2018.12.31**
Cash on hand	$ 530	532
Savings accounts	430,722	225,765
Time deposits	49,000	49,000
	$ 480,252	**275,297**

Please refer to Note 6(t) for the interest analysis of financial assets and liabilities.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Financial assets and liabilities at fair value through profit or loss

	2019.12.31	2018.12.31
Current financial assets at fair value through profit or loss:		
Non-hedged derivatives		
Redemption and repurchase option of bonds	$ 4,561	-
Held-for-trading financial liabilities-non-current:		
Redemption and repurchase option of bonds	$ -	11,022

As of December 31, 2019 and 2018, the Company did not provide any financial assets for using equity method as collaterals for its loans.

(c) Notes and accounts receivable

	2019.12.31	2018.12.31
Note receivables from operating activities	$ 207,561	234,521
Trade receivables－measured as amortized cost	2,392,354	2,046,354
Less: Loss allowance	(1,392)	(1,297)
	$ 2,598,523	2,279,578

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income. In addition, trade receivables, which did not qualify to be measured at amortized costs and FVOCI, were measured at fair value through profit or loss.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan were determined as follows:

	2019.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	$ 2,532,229	0.05%	1,207
1 to 30 days past due	62,745	0.05%	33
31 to 120 days past due	4,837	1.00%	48
More than 120 days past due	104	100.00%	104
	$ 2,599,915		1,392

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2018.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	$ 2,214,541	0.04%	873
1 to 30 days past due	63,844	0.04%	26
31 to 120 days past due	1,915	17.13%	328
More than 120 days past due	575	12.17%	70
	$ 2,280,875		1,297

The movement in the allowance for notes and trade receivable was as follows:

	For the years ended December 31,	
	2019	2018
Balance at January 1, 2019 and 2018	$ 1,297	7,077
Impairment losses recognized	95	-
Impairment losses reversed	-	(5,780)
Balance at December 31, 2019 and 2018	$ 1,392	1,297

The Group sold its trade receivables, without recourse, as follows:

2018.12.31						
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
O-Bank	$ 2,334	16,043	-	2,334	-	None

(d) Other receivables

	2019.12.31	2018.12.31
Other receivables	$ 583,581	54,170
Less: Loss allowance	-	-
	$ 583,581	54,170

Based on historical experience, the Company expects no credit losses by event of default from the aforementioned other receivables, therefore the expected credit loss rate is 0.

(e) Inventories

	2019.12.31	2018.12.31
Materials	$ 562,877	398,780
Work-in-process	65,428	43,329
Finished goods	168,191	190,155
Inventory in-transit	11,555	6,856
	$ 808,051	639,120

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

As of December 31, 2019 and 2018, the details of operating cost were as follows:

		2019	2018
Cost of goods sold	$	5,890,190	5,520,156
Loss on disposal of scrap		1,527	1,618
Losses (gains) on inventory valuation and obsolescence		20,958	(6,233)
Revenue from sales of scraps		(35,147)	(41,079)
	$	**5,877,528**	**5,474,462**

As of December 31, 2019 and 2018, the Company's inventories were not pledged as collateral.

Losses on inventory valuation and obsolescence are due to obsolescence or out of use, which results in net realizable value being lower than historical cost. Therefore, it's classified as operating cost.

Gains on recovery of inventory valuation and obsolescence are due to net realizable value of inventories being lower than the historical cost written-off by disposal. Therefore, the net realizable value increases and is recognized as deduction of operating cost.

(f) Investments accounted for using equity method

		2019.12.31	2018.12.31
Subsidiaries	$	13,432,065	11,951,050
Associates		-	-
	$	**13,432,065**	**11,951,050**

1.Subsidiaries

Please refer to the consolidated financial statements of the year ended 2019.

2.Associates

The Company's investee company, Licheng Technology (Stock) Company, (formerly ELITE IONERGY CO., Ltd., with an investment of $173,694) closed down at the end of year 2005, with liabilities exceeding its assets. Because the investment value had been impaired, the Company recognized all losses and the book value was offset to zero.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Cost:							
Balance at January 1, 2019	$	470,621	859,356	2,654,970	646,327	139,580	4,770,854
Additions		-	-	-	-	68,272	68,272
Disposals		-	-	(38,496)	(7,040)	-	(45,536)
Reclassification		-	1,350	45,314	58,882	(105,546)	-
Balance at December 31, 2019	$	**470,621**	**860,706**	**2,661,788**	**698,169**	**102,306**	**4,793,590**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Balance at January 1, 2018	$ 470,621	673,702	2,520,294	557,008	419,178	4,640,803
Additions	-	-	-	-	154,229	154,229
Disposals	-	(160)	(19,590)	(4,428)	-	(24,178)
Reclassification	-	185,814	154,266	93,747	(433,827)	-
Balance at December 31, 2018	**$ 470,621**	**859,356**	**2,654,970**	**646,327**	**139,580**	**4,770,854**
Depreciation:						
Balance at January 1, 2019	$ -	350,679	1,876,145	418,014	-	2,644,838
Depreciation for the year	-	30,193	103,385	45,680	-	179,258
Disposals	-	-	(38,496)	(7,040)	-	(45,536)
Balance at December 31, 2019	**$ -**	**380,872**	**1,941,034**	**456,654**	**-**	**2,778,560**
Balance at January 1, 2018	$ -	323,843	1,796,686	379,246	-	2,499,775
Depreciation for the year	-	26,996	99,048	43,197	-	169,241
Disposals	-	(160)	(19,589)	(4,429)	-	(24,178)
Balance at December 31, 2018	**$ -**	**350,679**	**1,876,145**	**418,014**	**-**	**2,644,838**
Carrying amounts:						
At December 31, 2019	**$ 470,621**	**479,834**	**720,754**	**241,515**	**102,306**	**2,015,030**
At December 31, 2018	**$ 470,621**	**508,677**	**778,825**	**228,313**	**139,580**	**2,126,016**
At January 1, 2018	**$ 470,621**	**349,859**	**723,608**	**177,762**	**419,178**	**2,141,028**

As of December 31, 2019 and 2018, the property, plant and equipment were not pledged as collateral for long-term debt and financing.

(h) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans	**$ 579,568**	**517,758**
Unused short-term credit lines	**$ 1,393,377**	**1,053,650**
Range of interest rates	**0.97%~2.83%**	**1.03%~3.78%**

(i) Short-terms notes payable

	2019.12.31	2018.12.31
Commercial paper payable	$ 100,000	200,000
Less: Discount	(31)	(345)
Net amount	**$ 99,969**	**199,655**
Interest rate	**1.02%**	**1.07%**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(j) Long-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans	$ 350,000	400,000
Less: Current portion	(250,000)	(100,000)
Total	**$ 100,000**	**300,000**
Unsecured credit	**$ 2,950,000**	**2,500,000**
Range of interest rates	**1.00%~1.30%**	**1.13%~1.30%**
Due year	**2020~2021**	**2019~2021**

For the exposure information of the Company's rate foreign currency and current risk, please refer to Note (6)(t).

(k) Unsecured convertible bonds

	2019.12.31	2018.12.31
Total convertible corporate bonds issued	$ 1,500,000	1,500,000
Unamortized discounted corporate bonds payable	(61,120)	(86,500)
Cumulative converted amount	(74,600)	(68,600)
Corporate bonds issued balance at year-end	**$ 1,364,280**	**1,344,900**
Embedded derivative – call and put options, included in financial assets at fair value through profit or loss	**$ 4,561**	**-**
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	**$ -**	**11,022**
Equity component – conversion options (included in paid-in capital – stock options)	**$ 115,499**	**115,985**

	For the years ended December 31,	
	2019	2018
Profit or loss revalued by fair value of Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	**$ 15,606**	**(5,153)**
Interest expense	**$ 25,096**	**24,694**

The Company issued the fourth unsecured 5-year convertible bonds which bear no interest on May 16, 2017, with the maturity date on May 16, 2022. The total convertible corporate bonds issued amounted to TWD1,500,000, with an effective interest rate of 1.80%. The Holders have the right to require the Company to redeem their convertible bonds in cash at an amount equal to the principal amount of the Bonds (with interest) at any time during the forty days after May 16, 2020. The conversion price of the convertible bonds were set based on the issued regulation.

1.The date and approach on redemption

Unless the Bonds have been previously redeemed, those repurchased or converted into common stocks will be redeemed at par value on the maturity date in cash.

2.Conversion price and adjustment

The conversion price was NT$121 per share when issued, when the proportion of cash dividend is above 1.5% in market price per share. The price would be adjusted when there are changes in the Company' s total ordinary shares or when the Company issues other convertible securities with convertible price being lower than the current market price per share. According to the Company's third unsecured convertible bonds regulations (11), the convertible price has been adjusted from NT$111.3 per share to NT$107.9 per share because the Company granted stocks on September 6, 2019. The Company will not amend the said clause above.

3.Redemption at the option of the Company

1) At any time during August 17, 2017 (the 91st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity date), the Company may send each holder a "Notice of Redemption" (The record date of redemption is based on the maturity date which is the 30th day following the postal date) and redeems the bonds on maturity date in the following situation:

A.Closing price of the common shares on each trading day in Taipei Exchange within a period of 30 consecutive trading dates, exceeding 30% of the conversion price ;

B.Total amount of outstanding bonds is lower than 10% of offering amount after the Company has been required by the Holders to convert their Bonds.

The Company may mail Notice of Redemption of one-month maturity, which is from the postal date, to the holders and consign to Taipei Exchange for announcing. The Company has to redeem all the outstanding convertible bonds at par value by cash after five operating days and the record date of redemption may not lie between the termination date of conversion of bonds.

2) Redemption Yield:

The Company will redeem convertible bonds at an amount equal to the principal amount of the Bonds at any time during August 17, 2017 (the 31st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity).

3) The Company may convert the Bonds into common shares at convertible price on the record date of conversion if the Shareholding agency did not receive any response from the holders before the record date of redemption stated in the "Notice of Redemption".

4.Redemption at the option of the holder

The creditors may ask the Company to redeem their holdings at par value on the 40th day prior to the day of issuance for three years. The Company should redeem the convertible bonds five days after record date of call when accepting asks of call.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(l) Refund liabilities

The Details of refund liabilities were as follows:

	2019.12.31	2018.12.31
Refund liabilities-current	$ 13,746	5,973

The management estimated the possibility of refund liabilities, historic experience and other a known information and recognized the numbers into the deduction of related products' operating revenue for expected discounts payable to customers.

(m) Employee benefits

1.Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligation	$ 122,754	124,651
Fair value of plan assets	(115,187)	(111,935)
Net defined benefit liabilities	$ 7,567	12,716

The Company makes defines benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years or service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the Management and Utilization of Labor Pension Funds regulations.

The Company's Bank of Taiwan pension reserve account balance amounted to $115,187 at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2019	2018
Defined benefit obligation at January 1	$ 124,651	133,415
Current service costs and interest	2,636	2,882
Remeasurement on the net defined benefit liabilities (assets)		
－Actuarial losses (gains) arising from experience adjustments	4,032	(2,822)
－Actuarial losses (gains) arising from changes in financial assumptions	3,633	10,702
Prior service cost	-	(6,255)
Benefit pay under the plan	(12,198)	(13,271)
Defined benefit obligation at December 31	**$ 122,754**	**124,651**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 111,935	111,786
Interest income	1,589	1,829
Remeasurement on the net defined benefit liabilities		
－Return on plan assets (excluding current interest)	3,560	2,623
Contribution paid by the employer	10,301	8,968
Benefit paid	(12,198)	(13,271)
Fair value of plan assets at December 31	**$ 115,187**	**111,935**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2019	2018
Current service costs	$ 933	777
Settlement losses	-	(6,255)
Net interest of net defined benefit liabilities	114	276
	$ 1,047	**(5,202)**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

		2019	2018
Operating costs	$	842	(4,098)
Selling expenses		40	(219)
Administrative expenses		113	(588)
Research and development expenses		52	(297)
	$	**1,047**	**(5,202)**

5) Remeasurement on the net defined benefit liabilities recognized in other comprehensive income

The Company' s remeasurement on the net defined benefit liabilities recognized in other comprehensive income as follows:

		2019	2018
Cumulative amount at January 1	$	16,382	11,125
Recognized during the period		4,106	5,257
Cumulative amount at December 31	$	**20,488**	**16,382**

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions of Present Value of defined benefit obligations:

	2019.12.31	2018.12.31
Discount rate	1.13 %	1.38 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $10,893.

The weighted average lifetime of the defined benefits plan is 15.41 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(3,633)	3,785
Future salary increasing rate	3,682	(3,553)

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Influences of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2018		
Discount rate	(3,750)	3,908
Future salary increasing rate	3,810	(3,677)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018, respectively.

2.Defined contribution plans

The Company set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2019 and 2018, the Company set aside $29,718 and $33,107, respectively, under the pension plan to the Bureau of the Labor Insurance.

(n) Income taxes (profits)

1.Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	2019	2018
Current income tax expense:		
Current period	$ 402,857	116,503
Adjustment for prior periods	(3,671)	(15,507)
	399,186	100,996
Deferred tax expense:		
Origination and reversal of temporary differences	14,490	459,102
Movement of tax rate	-	107,036
	14,490	566,138
Income tax expense	**$ 413,676**	**667,134**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Income tax expense (benefit) recognized in other comprehensive income:

		2019	2018
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses and gains on defined benefit plans	$	**821**	**3,091**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	$	**102,117**	**56,622**

The reconciliation of income tax and profit before tax was as follows:

		2019	2018
Profit excluding income tax	$	**3,654,521**	**2,418,512**
Income tax using the Company's domestic tax rate	$	730,904	483,703
Non-deductible expenses		2,063	7,185
Tax-exempt income		(11,357)	(2,182)
Deductible temporary differences		(312,915)	-
Undistributed earnings additional tax		8,652	86,899
Adjustment in tax rate		-	107,036
Prior overestimate (underestimate)		(3,671)	(15,507)
Total	$	**413,676**	**667,134**

2.Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2019 and 2018, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The relevant amounts are as follow:

		2019.12.31	2018.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$	**6,639,016**	**5,074,438**
Amounts are not recognized as deferred tax liabilities	$	**1,327,803**	**1,014,888**

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 are as follows:

	Unrealized gain on investment income
Deferred Tax Liabilities:	
Balance at January 1, 2019	$ (1,167,141)
Debited (Credited) in income statement	(18,262)
Balance at December 31, 2019	**$ (1,185,403)**
Balance at January 1, 2018	$ (606,912)
Debited (Credited) in income statement	(560,229)
Balance at December 31, 2018	**$ (1,167,141)**

	Defined Benefit Plans	Current provisions	Unrealized losses on inventories	Cumulative translation adjustment	Others	Total
Deferred Tax Assets:						
Balance at January 1, 2019	$ 4,084	1,195	3,535	102,175	303	111,292
Debited (Credited) in income statement	(1,850)	1,554	4,192	-	(124)	3,772
Debited (Credited) in equity	821	-	-	-	-	821
Exchange differences on translation of foreign operations	-	-	-	102,117	-	102,117
Balance at December 31, 2019	**$ 3,055**	**2,749**	**7,727**	**204,292**	**179**	**218,002**
Balance at January 1, 2018	$ 4,988	2,570	4,064	45,553	313	57,488
Debited (Credited) in income statement	(3,995)	(1,375)	(529)	-	(10)	(5,909)
Debited (Credited) in equity	3,091	-	-	-	-	3,091
Exchange differences on translation of foreign operations	-	-	-	56,622	-	56,622
Balance at December 31, 2018	**$ 4,084**	**1,195**	**3,535**	**102,175**	**303**	**111,292**

3.The Company's tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

(o) Capital and other equity

1. Issuance of common stock

As of December 31, 2019 and 2018, the total value of nominal ordinary shares amounted to $4,000,000. The face value of each share is $10. In total, there were 319,708 and 319,652 in thousands of ordinary shares, respectively, issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018 was as follows:

	Ordinary shares (in thousands of shares)	
	2019	**2018**
Balance at January 1	319,652	319,652
Conversion of convertible bonds	56	-
Balance at December 31	**319,708**	**319,652**

As of 2019, the convertible bonds were converted to 56 new common shares of stock, which were issued at the amount of $6,000. The registration procedures were completed.

2. Capital surplus

The balance of additional paid-in capital was as follows:

	2019.12.31	**2018.12.31**
Share capital	$ 95,627	95,627
Premium from convertible bonds	417,732	412,109
Convertible option	115,499	115,985
	$ 628,858	**623,721**

According the the R.O.C company Act, capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

Taking into account the characteristics of industrial growth and stabilizing the financial structure of the Company, the Company will not distribute dividends when in deficit.

Under the policy of dividend distribution, the Company shall first take into consideration its future development, financial situation and shareholders' rewards, as well as its programs to meet its capital expenditure budget in determining the cash in need. After the aforementioned consideration, the Company will distribute the cash dividends to its shareholders. Cash dividends shall not be more than 20% of the total dividends.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Surplus distributed should be, on principle, 10% to 70% of distributable surplus. Distributable surplus is accounted for as profit, after setting aside reserves, plus, prior-year undistributed earnings. Any remaining profit shall be distributed according to the stockholders' meeting for approval.

1) Legal reserve

10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Earnings distribution

The earnings distribution for 2018 and 2017 was decided by the general meeting of shareholders held on June 10, 2019, and June 14, 2018.

The relevant dividend distribution to shareholders is as follows:

	2018		2017	
	Dividend per Share (TWD$)	**Amount**	**Dividend per Share (TWD$)**	**Amount**
Dividends distributed to common shareholders				
Cash	$ 3.80	**1,214,680**	4.80	**1,534,332**

4. Other equity

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	Total
Balance at January 1, 2019	$ (423,485)	(69)	(423,554)
Exchange difference on translation of foreign financial statements	(408,470)	-	(408,470)
FVOCI-financial assets	-	(369)	(369)
Balance at December 31, 2019	**$ (831,955)**	**(438)**	**(832,393)**
Balance at January 1, 2018	$ (237,192)	-	(237,192)
Exchange difference on translation of foreign financial statements	(186,293)	-	(186,293)
FVOCI-financial assets	-	(69)	(69)
Balance at December 31, 2018	**$ (423,485)**	**(69)**	**(423,554)**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(p) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1.Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2019 and 2018, were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders

		2019	2018
Profit attributable to ordinary shareholders of the Company	$	**3,240,845**	**1,751,378**

2) Weighted-average number of ordinary shares

	2019	2018
Issued ordinary shares at January 1	319,652	319,652
Effect of convertible notes	14	-
Weighted-average number of ordinary shares at December 31	**319,666**	**319,652**

2.Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2019 and 2018, were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

		2019	2018
Profit attributable to ordinary shareholders of the Company (basic)	$	3,240,845	1,751,378
Convertible preference shares dividends		7,592	23,878
Profit attributable to ordinary shareholders of the Company (diluted)	$	**3,248,437**	**1,775,256**

2) Weighted-average number of ordinary shares (diluted)

Weighted-average number of ordinary shares (basic)	319,666	319,652
Effect of convertible bond	13,252	12,861
Effect of employee stock compensation	1,005	1,371
Weighted-average number of ordinary shares (diluted) at December 31	**333,923**	**333,884**

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3.Earnings per share were as follow:

	2019	2018
Basic earnings per share	$ 10.14	5.48
Diluted earnings per share	$ 9.73	5.32

(q) Revenue from contracts with customers

1.Disaggregation of revenue

	2019	2018
Primary geographical markets		
Taiwan	$ 4,374,352	3,915,603
China	1,426,526	1,003,331
Other	1,385,824	1,302,787
	$ 7,186,702	6,221,721
Major products		
Prepare	$ 3,055,073	2,353,544
Capper clad laminate	2,889,715	2,730,779
Mass lam foundry	946,202	993,384
Other	295,712	144,014
	$ 7,186,702	6,221,721

(r) Rewards of employees, directors and supervisors

In accordance with the Company's article, which was approved by the shareholders, the Company shall assign 3% as rewards to employees, and less than 1.2% as rewards to directors and supervisors, if there are earnings during the year. However, the Company has to retain the amount while there are accumulated loss.

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

For the years ended December 31, 2019 and 2018, rewards of employees of $114,204 and $75,579 and directors of $38,068 and $25,193, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company’s profit before tax before rewards of employees and directors for the year ended December 31, 2019 and 2018, and using the earnings allocation method which was stated under the Company’s article. These rewards were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2019 and 2018.

Related information of distributions of remuneration to employees and directors can be accessed from the Market Observation Post System on the website.

There is no difference between the rewards of employees and directors that was decided by the Board of Directors and the financial report’s estimated amounts in 2019 and 2018.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(s) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2019	2018
Interest income	$ 1,248	4,910

2. Other gains and losses

The details of other gains and losses were as follows:

	2019	2018
Disposal gain on property, plant and equipment	$ 5	50
Foreign currency exchange loss, net	(3,568)	(1,749)
Financial assets (liabilities) at fair value through profit or loss	15,606	(5,153)
Other profits	1,225	316
Other intests (loss), net	$ 13,268	(6,536)

3. Finance costs

The details of finance cost were as follows:

	2019	2018
Interest expense	$ 38,126	30,670

(t) Financial instruments

1.Credit risk

1) Credit risks exposure

As of December 31, 2019 and 2018, the maximum exposure to credit risk arising from failure of performance of the counter-party and from financial guarantee made by the Company were as follows:

A.The carrying amount of financial assets recognized in the financial statements;

B.Financial guarantee made by the Company amounting to USD61,100, USD5,000, and USD68,500, USD5,000, respectively.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Liquidity risk

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2019						
Non-derivative financial liabilities						
Convertible bonds	$ 1,364,280	1,425,400	1,425,400	-	-	-
Unsecured bank loans	929,568	933,578	732,124	100,898	100,556	-
Short-term notes payable	99,969	100,000	100,000	-	-	-
Accounts payable	1,872,057	1,872,057	1,872,057	-	-	-
	$ 4,265,874	**4,331,035**	**4,129,581**	**100,898**	**100,556**	**-**
Balance at December 31, 2018						
Non-derivative financial liabilities						
Convertible bonds	$ 1,344,900	1,431,400	-	-	1,431,400	-
Unsecured bank loans	917,758	925,617	620,990	1,808	202,265	100,554
Short-term notes payable	199,655	200,000	200,000	-	-	-
Accounts payable	1,624,214	1,624,214	1,624,214	-	-	-
	$ 4,086,527	**4,181,231**	**2,445,204**	**1,808**	**1,633,665**	**100,554**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

3.Currency risk

1) Currency risk exposure

The Company’s significant exposure to foreign currency risk was as follows:

	2019.12.31			2018.12.31		
	Foreign currency (thousands of dollars)	**Exchange rate**	**TWD**	**Foreign currency (thousands of dollars)**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 75,821	29.980	2,273,124	49,010	30.715	1,505,352
Financial liabilities						
Monetary items						
USD	65,407	29.980	1,960,909	43,126	30.715	1,324,629

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payable that are denominated in foreign currency.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A 1% appreciation or depreciation of the TWD against the USD as at December 31, 2019 and 2018, would have increased or decreased net income by $2,519 and $1,448, respectively. This analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The foreign exchange gains (losses) of Company monetary items converted into the functional currency amount and converted to parent Company' s functional currency Taiwan Dollar exchange rate information were as follows:

	2019		2018	
	Foreign exchange losses	**Average exchange rate**	**Foreign exchange losses**	**Average exchange rate**
TWD	$ (3,568)	-	(1,749)	-

4.Interest analysis

The interest rate exposure of the Company' s financial assets and liabilities is described on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the financial assets and liabilities on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company' s internal management reported the increases or decreases in the interest rates and the exposure to changes in interest rates of 0.5% is considered by management to be a reasonable change of interest rate.

If the interest rate increases or decreases by 0.5%, the Company' s net income will decrease /increase by $1,756 and $3,295 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing and the financial assets evaluation of risk-free interest rate changes on corporate bonds.

5. Fair value

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2019.12.31				
		Fair value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Redemption and repurchase option of bonds	$ 4,561	-	4,561	-	4,561
Financial assets measured at amortized cost					
Cash and cash equivalents	480,252	-	-	-	-
Notes and account receivable	2,598,523	-	-	-	-
Other receivable	583,581	-	-	-	-
Refundable deposits	633	-	-	-	-
Sub-total	3,662,989	-	-	-	-
Total	**$ 3,667,550**	**-**	**4,561**	**-**	**4,561**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 929,568	-	-	-	-
Short-term notes and bill payable	99,969	-	-	-	-
Notes and account payable	1,872,057	-	-	-	-
Other payable	1,170,921	-	-	-	-
Total bond payable	1,364,280	-	-	-	-
Guarantee deposits receivable	7,816	-	-	-	-
Total	**$ 5,444,611**	**-**	**-**	**-**	**-**

	2018.12.31				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 275,297	-	-	-	-
Notes and account receivable	2,279,578	-	-	-	-
Other receivable	54,170	-	-	-	-
Refundable deposits	1,895	-	-	-	-
Total	**$ 2,610,940**	**-**	**-**	**-**	**-**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2018.12.31				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss					
Redemption and repurchase option of bonds	$ 11,022	-	11,022	-	11,022
Financial liabilities measured at amortized cost					
Short-term borrowings	917,758	-	-	-	-
Short-term notes and bill payable	199,655	-	-	-	-
Account payable	1,624,214	-	-	-	-
Other payable	486,872	-	-	-	-
Convertible bonds	1,344,900	-	-	-	-
Guarantee deposits	8,087	-	-	-	-
sub-total	4,581,486	-	-	-	-
Total	**$ 4,592,508**	**-**	**11,022**	**-**	**11,022**

2) Valuation techniques for financial instruments measured at fair value

A.Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market. The major exchange and the Over-the-Counter of Central Government's bonds is the basis to the fair value of listing equity instruments and liability instruments in active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

(u) Financial risk management

1.Overview

The nature and the extent of the Company's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Company's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the financial statements.

2.Risk management framework

The financial management department, which provides intra-company services, is responsible for coordinating domestic and international financial market operations, as well as monitoring and managing operation-related financial risks through the internal risk report. The internal risk report analyzes risk exposure of the Company through range and depth. The Company uses derivative financial instruments to hedge risks and to alleviate their impacts. Usage of derivative financial instruments is subject to regulations approved of by the Board of Directors. The regulation is a written document pertaining the usage of exchange risk, interest risk, credit risk, derivative and non-derivative financial instruments, as well as the investment of the remaining working capital. The internal auditors review the policy compliance and risk exposure on a regular basis. The Company does not engage in opportunistic operations of financial instruments (including derivative financial instruments). The financial management department reports to The Company Risk management Committee quarterly. The Company Risk Management Committee is an independent organization that is responsible for monitoring risk management and enforcing policies to reduce risk exposure.

3.Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment.

1) Accounts receivable and other receivables

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company’s customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment terms are offered. The Company’s review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager’s office; these limits are reviewed quarterly. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the General Manager’s office. If customers default, the Company will stop transactions with those customers or trade on a cash basis.

The Company established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical data on payment statistics for similar financial assets.

2) Bank deposit

The credit risk exposure in the bank deposits and transaction contract of foreign derivation instruments is measured and monitored by the General Manager's office. The Company only deals with financial institutions; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

4.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2019 and 2018, the Company's unused credit line were amounted to $4,343,377 and $3,553,650, respectively.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (TWD), and US Dollar (USD). Besides, the Company uses natural hedging principle to hedge by controlling the net amount of each currency of the Company in accordance with the condition of the exchange rate market. The Company hedges the currency risk with forward foreign currency whose mature date is in a year from report date and currency swap contract.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Interest risk

The Company' s borrowings were on the basis of floating interest rate. The Company is not involved in the situation of changing floating interest rate into fixed rate with interest rate swap agreement. The Company periodically assessed the borrowing rates of the banks and every currency to make provisions for interest-changed rate risk. In addition, the Company creates favorable relationship with banks to get lower financial costs from borrowings in order for it to strengthen its working capital to lower its dependency on bank borrowings, as well as situation of changing floating interest rate and scatter interest-changed rate risk.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(v) Capital management

The Company maintains and manages its capital to meet the minimum paid-in capital required by the competent authority, and to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Company may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future. The Company's debt to equity ratios at the balance sheet date were as follows:

(w) Investing and financing activities not affecting current cash flow

The Company investing and financing activities which did not affect the current flow in the years ended December 31, 2019 and 2018, were as follow:

			Non-cash changes			
	2019.1.1	**Cash flow**	**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**2019.12.31**
Short-term borrowings	$ 517,758	61,810	-	-	-	579,568
Long-term borrowings	400,000	(50,000)	-	-	-	350,000
Total liabilities from financing activities	**$ 917,758**	**11,810**	**-**	**-**	**-**	**929,568**

			Non-cash changes			
	2018.1.1	**Cash flow**	**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**2018.12.31**
Short-term borrowings	$ 150,325	367,433	-	-	-	517,758
Long-term borrowings	-	400,000	-	-	-	400,000
Total liabilities from financing activities	**$ 150,325**	**767,433**	**-**	**-**	**-**	**917,758**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(7) Related-Party Transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
EMC OVERSEAS HOLDING INCORPORATED	The Company and its subsidiaries
Grand Wuhan Incorporated	The Company and its subsidiaries
Grand Zhuhai Incorporated	The Company its sub-subsidiaries
Grand Shanghai Incorporated	The Company its sub-subsidiaries
Grand Zhongshan Incorporated	The Company its sub-subsidiaries
Elite Electronic Material (Kunshan) Co., Ltd.	The Company its sub-subsidiaries
Elite Electronic Material (Zhongshan) Co., Ltd.	The Company its sub-subsidiaries
Elite Electronic Material (Huangshi) Co., Ltd.	The Company its sub-subsidiaries

(c) Significant transactions with related parties

1.Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31,	
	2019	2018
Sub-Subsidiaries	$ 1,305,114	951,550

The selling price for related parties approximated the market price. The credit terms ranged from 90 to 120 days, which approximated those for routine sales transactions.

The royalties receivable from sub-subsidiaries for using specific products and the service fee amounted to $100,740 and $12,566, respectively.

2.Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31,	
	2019	2018
Sub-Subsidiaries	$ 110,707	66,572

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 90 to 120 days, which were no different from the payment terms given by other vendors.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3.Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	2019.12.31	2018.12.31
Accounts receivable	Elite Electronic Material (Zhongshan) Co., Ltd.	$ 268,284	292,685
Accounts receivable	Ellte Electronic Material (kunshan) Co., Ltd.	217,385	196,022
Other receivables	Sub-Subsidiaries	57,259	51,202
		$ 542,928	**539,909**

Amounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

4.Payables to related parties

Account	Relationship	2019.12.31	2018.12.31
Accounts payable	Sub-Subsidiaries	$ 41,625	9,620
Other payables	Ellte Electronic Material (kunshan) Co., Ltd.	512,379	-
		$ 554,004	**9,620**

5.Guarantee

As of December 31, 2019, the Company had provided a guarantee for loans taken out by its subordinates, please refer to Note 13(a) for further explanations.

(d) Key management personal compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$ 106,558	66,072
Termination benefits	2,814	2,358
	$ 109,372	**68,430**

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Purpose of Pledge	2019.12.31	2018.12.31
Refundable deposits	Staff dormitory	**$ 633**	**1,895**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(9) Significant Contingencies and Commitments

(a) Major Commitments and contingencies were as follows:

1.Unused standby letters of credit

		2019.12.31	2018.12.31
Unused standby letters of credit			
TWD	$	112,489	120,856
USD		5,977	4,973

2.The royalties of eco-material technique treatment with Company A, the paid royalties were as follows:

	2019	2018
$	23,997	29,959

3.As of December 31, 2019 and 2018, the amounts of Performance Letter of Guarantee issued by Mega International Commercial Bank-Zhongli Branch for the purpose of Customs for guaranty of domestic tariff and for guaranty of hiring foreigners to be employed both were NT$5,000, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

Categorized as	For the year ended December 31, 2019			For the year ended December 31, 2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	565,553	285,995	851,548	509,332	167,816	677,148
Labor and health insurance	48,112	13,000	61,112	47,405	13,024	60,429
Pension	22,744	8,021	30,765	18,095	9,810	27,905
Remuneration of directors	-	38,510	38,510	-	25,610	25,610
Others employee benefits	23,052	4,626	27,678	22,026	5,303	27,329
Depreciation	168,967	10,291	179,258	159,111	10,130	169,241
Amortization	70	2,381	2,451	175	2,213	2,388

The Company For the years ended employees and employee benefits expenses were as follows

	2019	2018
Number of employees	879	920
Number of directors who were not employees	6	6
The average employee benefit	$ 1,112	867
The average salaries and wages	$ 975	741
Adjustment of average salaries and wages	31.58 %	

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2019:

1. Fund financing to other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance ?for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	Elite Electronic Material (Kunshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	Other receivables-related parties	Y	705,320	662,970	559,650	3.50%	2	-	Operating demand	-	-	-	1,182,580 (Note 3)	2,365,160 (Note 3)
2	Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	Other receivables-related parties	Y	1,446,720	1,377,600	215,250	3.50%	2	-	Operating demand	-	-	-	1,512,885 (Note 4)	1,512,885 (Note 4)

Note 1: The number is filled as follows:
1. 0 is the Company.
2. Subsidiaries are numbered as 1 sequentially.

Note 2:1. Having dealings with the Company.
2. Those who have the needs in short-term financing.

Note 3:The total maximum financing amount cannot exceed 30% of the Company's net worth in its latest financial statements, while the maximum financing amount for a single company cannot exceed 15% of the Company's net worth in its latest financial statements.

Note 4:The total maximum financing amount cannot exceed 30% of the Company's net worth in its latest financial statements, while the maximum financing amount for a single company cannot exceed 30% of the Company's net worth in its latest financial statements.

Note 5:The total amount cannot exceed 100% of the Company's net worth in its lates financial statements.

2. Guarantees and endorsements for other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No. (Note 1)	Name of company	Counter-party Name	Counter-party Relationship with the Company (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
0	The Company	Grand Wuhan Incorporated	2	6,759,966	776,500	599,600	-	-	4 %	13,519,931	Y		
0	〃	Grand Shanghai Incorporated	2	6,759,966	326,130	224,850	-	-	2 %	13,519,931	Y		

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	〃	Grand Zhongshan Incorporated	2	6,759,966	155,300	149,900	-	-	1 %	13,519,931	Y		
0	〃	Elite Electronic Material (Zhongshan) Co., Ltd.	2	6,759,966	155,300	149,900	-	-	1 %	13,519,931	Y		Y
0	〃	Elite Electronic Material (Kunshan) Co., Ltd.	2	6,759,966	93,180	89,940	-	-	1 %	13,519,931	Y		Y
0	〃	Elite Electronic Material (Huangshi) Co., Ltd.	2	6,759,966	621,200	599,600	-	-	4 %	13,519,931	Y		Y
0	〃	TECHNICA USA	6	6,759,966	18,624	17,988	-	-	- %	13,519,931	Y		
1	Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	4	2,521,475	700,740	658,665	629,114	-	13 %	5,042,949			Y

Note 1: 0 is the Company.

Note 2:1. Entities with business relationship with the Company.

2. A subsidiary in which the Company directly holds more than 50 percent of its voting shares.
3. A investee in which the Company and subsidiary holds more than 50 percent of its voting shares.
4. A parent company in which the Company directly or Subsidiaries indirectly holds more than 90 percent of its voting shares.
5. Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
6. Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
7. Companies in same type of business providing guarantees of pre-sale contracts according to the regulation.

Note 3: The total maximum endorsement / guarantee cannot exceed 100% of the Company's net worth in its latest financial statements, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth in its latest financial statements.

3. Information regarding securities held at balance sheet date:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
EMC OVERSEAS HOLDING INCORPORARTED	PROUD STAR INTERNATIIONAL LIMITED	-	Non-current financial assets at fair value through other comprehensive income	500,000	16,507	3.26 %	16,507	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital : None.

6. Disposition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

			Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		
Name of company	Counter-party	Relationship	Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	Notes
Elite Material Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	Investee company on equity method by the Company	Sale	(562,323)	(8)%	Depends on subsidiaries' financial condition	-		217,385	8 %	
Elite Electronic Material (Kunshan) Co., Ltd.	Elite Material Co., Ltd.	Equity investments using equity method	Purchase	562,323	8 %	〃	-		(217,385)	(9)%	
Elite Material Co., Ltd.	Elite Electronic Material (Zhongshan) Co., Ltd.	Investee company on equity method by the Company	Sale	(742,791)	(11)%	〃	-		268,284	10 %	
Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Material Co., Ltd.	Equity investments using equity method	Purchase	742,791	14 %	〃	-		(268,284)	(15)%	
Elite Electronic Material (Kunshan) Co., Ltd.	Elite Electronic Material (Zhongshan) Co., Ltd.	Actual related party	Sale	(242,288)	(2)%	〃	-		27,180	1 %	
Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	〃	Purchase	242,288	4 %	〃	-		(27,180)	(2)%	
Elite Electronic Material (Huangshi) Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	〃	Sale	(183,641)	(81)%	〃	-		199,922	81 %	
Elite Electronic Material (Kunshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	〃	Purchase	183,641	2 %	〃	-		(199,922)	(8)%	

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover days	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	Elite Electronic Material (Zhongshan) Co., Ltd.	Equity investments under equity method	268,284	2.65	-		245,370	-
Elite Electronic Material (Kunshan) Co., Ltd. (note 1)	〃	〃	26,228	Not applicable	-		25,561	-

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover days	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	Elite Electronic Material (Kunshan) Co., Ltd.	Equity investments under equity method	217,385	2.72	-		141,789	-
The Company (note 1)	〃	〃	31,031	Not applicable	-		30,394	-
Elite Electronic Material (Kunshan) Co., Ltd. (note 1)	Elite Electronic Material (Huangshi) Co., Ltd.	Actual related party	567,744	Not applicable	-		-	-
Elite Electronic Material (Kunshan) Co., Ltd.	The Company	Equity investments using equity method	9,518	4.45	-		3,553	-
Elite Electronic Material (Kunshan) Co., Ltd. (note 1)	〃	〃	512,379	Not applicable	-		366,602	-
Elite Electronic Material (Zhongshan) Co., Ltd. (note 1)	Elite Electronic Material (Huangshi) Co., Ltd.	Actual related party	215,292	Not applicable	-		-	-
Elite Electronic Material (Huangshi) Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	〃	199,922	0.92 Not applicable	-		120,546	-

Note 1: Account for other receivable due from related parties.

9. Derivative transactions: None.

(b) Information on investees:

For the years ended December 31, 2019, the following was the information on investees (excluding investees in Mainland China) :

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	EMC OVERSEAS HOLDING INCORPORATED	British virgin Islands	Investment business	1,179,111	1,160,487	36,256,950	100.00 %	12,955,586	3,162,769	3,162,769	Subsidiaries
〃	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	173,694	173,694	16,412,918	33.50 %	-	-	-	
〃	Grand Wuhan Incorporated	Cayman Islands	Import / export business and investment business	602,440	291,652	20,020,000	100.00 %	481,293	(76,346)	(76,346)	Sub-subsidiaries
EMC OVERSEAS HOLDING INCORPORATED	Grand Zhuhai Incorporated	Cayman Islands	Import / export business and investment business	1,013,289	1,013,289	33,798,821	100.00 %	12,884,661	3,153,335	3,153,335	〃

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
EMC OVERSEAS HOLDING INCORPORATED	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	7,311	7,311	250,000	1.53 %	-	-	-	Sub-subsidiaries
〃	TECHNICA USA	USA	Import/ export service	18,624	-	600,000	30.00 %	21,714	12,781	3,834	
Grand Zhuhai Incorporated	Grand Zhongshan Incorporated	British Virgin Islands	Import / export business and investment business	492,781	492,781	16,437,000	100.00 %	5,031,235	1,050,664	1,050,664	〃
〃	Grand Shanghai Incorporated	British virgin Islands	Import / export business and investment business	990,286	990,286	18,161,515	99.79 %	7,851,330	2,107,345	2,102,889	〃

Note 1:The amounts of book value recognized using the equity method include investment income(losses) and the exchange differences on translation of foreign statements.
Note 2: The amount above is evaluated based on the independent audit report of the investee under equity method .

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
"Elite Electronic Material (Kunshan) Co.Ltd."	Copper clad laminate and prepreg business	845,436	(2)	650,816	-	-	650,816	2,098,599	99.79 %	2,094,161	7,867,191	4,205,972
Elite Electronic Material (Zhongshan) Co., Ltd.	〃	605,596	(2)	440,613	-	-	440,613	1,050,340	100.00 %	1,050,340	5,042,946	2,216,166
Elite Electronic Material (Huangshi) Co., Ltd.	〃	599,600	(2)	291,070	310,788	-	601,858	(75,769)	100.00 %	(75,769)	482,339	-

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
1,710,734	2,604,938	8,111,959

Note 1: There are three investment approach of categories:
(1) Direct Investment in Mainland China.
(2) Investment in Mainland China by a third party.
(3) Other approach.

Note 2: The financial statements were audited by the Certified Public Accountants of the Company.

Note 3: The difference between the paid-in capital of Elite Electronic Material (Kunshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,012, which was invested overseas by the subsidiary.

Note 4: The difference between the paid-in capital of Elite Electronic Material (Zhongshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,255, which was recognized as capital increase out of earnings.

Note 5: The difference between the paid-in capital and investment amount remitted from Taiwan amounted to USD$110, which was invested overseas by the subsidiary.

Note 6: The items in the balance sheet and those in the income statements were translated at the exchange rate of 29.9800 and 30.8488, respectively, for the year ended December 31, 2019.

3. Significant transactions：

   Please refer to the related disclosures above captioned as “Related information on material transaction items” for direct or indirect significant transactions between the Company and its investees in Mainland China for the year ended December 31, 2019. (The transactions were eliminated in the consolidated financial statements.)

(14) Segment Information

Please refer to the consolidated financial statements of the year ended 2019.

ELITE MATERIAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand	$ 530
Saving accounts	Check account deposits	217
	Saving accounts	340,367
	Foreign deposits(USD3,003 Thousands of Dollars、CNY24 Thousands of Dollars)	90,138
	Time deposits	49,000
	Sub total	479,722
Total		**$ 480,252**

STATMENT OF NOTES RECEIVABLES

Client name	Description	Amount	Note
B Company	Current portion	$ 89,584	
C Company	〃	50,902	
D Company	〃	23,263	
E Company	〃	19,651	
F Company	〃	11,216	
Others	〃	12,945	Client included in others does not exceed 5% of the account balance.
Less: Loss allowance		(349)	
Total		**$ 207,212**	

ELITE MATERIAL CO., LTD.

STATEMENT OF ACCOUNT RECEIVABLES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related-parties:			
Elite Electronic Material (Kunshan) Co., Ltd.		$ 217,385	
Elite Electronic Material (Zhongshan) Co., Ltd.		268,284	
Sub total		485,669	
Non-related-parties:			
G Company		447,064	
H Company		370,940	
I Company		200,114	
Others		888,567	Client included in others does not exceed 5% of the account balance.
Sub total		1,906,685	
Total		2,392,354	
Less: Loss allowance		(1,043)	
Accounts receivable, net		$ **2,391,311**	

ELITE MATERIAL CO., LTD.

STATEMENT OF INVENTORY

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net Realizable Value	Note
Materials	$ 555,050		
Less: Loss allowance	(15,351)		
Sub total	539,699	**549,469**	
Supplies	23,178	**23,178**	
Work in progress	66,792		
Less: Loss allowance	(1,364)		
Sub total	65,428	**73,471**	
Finished goods	190,107		
Less: Loss allowance	(21,915)		
Sub total	168,192	**255,044**	
Inventory in-transit	11,554	**11,554**	
Inventory, net	**$ 808,051**		

ELITE MATERIAL CO., LTD.

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Net Value			
Investee Company	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Proportion of shareholding**	**Amount**	**Unit price**	**Total price**	**Pledged as collateral**	**Note**
EMC OVERSEAS HOLDING INCORPORATED	35,657	$ 11,682,620	600	1,268,153	-	-	36,257	100.00 %	12,950,773	-	12,955,586	No	
Licheng Technology (Stock) Company	16,413	-	-	-	-	-	16,413	33.50 %	-	-	-	No	
Grand Wuhan Incorporated	10,020	268,430	10,000	212,862	-	-	20,020	100.00 %	481,292	-	481,292		
		$ 11,951,050		**1,481,015**		**-**			**13,432,065**		**13,436,878**		

ELITE MATERIAL CO., LTD.

STATEMENT OF SHORT-TERM LOANS

December 31, 2019

(In Thousands of New Taiwan Dollars)

Type of loans	Description	Ending Balance	Contract Period	Range of Interest Rates	Loan Commitments	Collaterals or Pledged Assets	Note
Short-term loans	Financial institution	$ 579,568	2019.10.21~2020.03.25	0.97%~2.83%	2,319,620	Guarantee Notes	

ELITE MATERIAL CO., LTD.

STATEMTN OF SHORT-TERMS NOTE PAYABLES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Guarantees or acceptances institution	Contract Period	Interest Rate	Amount: Issue Amount	Amount: Discount commercial payable	Amount: Balance Amount	Note
Commercial paper	Mega Bills Finance CO., LTD	2019.11.19~ 2020.01.16	1.02%	$ 100,000	31	99,969	Promissory note

STATEMENT OF ACCOUNT PAYABLES

Suppliers	Description	Amount	Note
related-parties:			
Elite Electronic Material (Kunshan) Co., Ltd.		$ 9,518	
Elite Electronic Material (Zhongshan) Co., Ltd.		32,107	
Sub total		41,625	
Non-related-parties:			
A Company		199,468	
B Company		165,800	
C Company		165,683	
D Company		153,421	
E Company		139,790	
F Company		136,309	
G Company		109,666	
Others		760,295	Client included in others does not exceed 5% of the account balance.
Sub total		1,830,432	
Total		$ 1,872,057	

ELITE MATERIAL CO., LTD.

STATEMENT OF OTHER PAYABLES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Other payables	Payables for equipment	$ 40,647
	Payroll payables and bonuses payable	259,043
	Work in progress-outsourced payable	31,790
	Employees compensations payable	114,204
	Directors' compensations payable	38,068
	Pension expenses payable	15,231
	Other expenses payable	671,938
Total		**$ 1,170,921**

ELITE MATERIAL CO., LTD.

STATEMENT OF LONG-TERM LOAN

December 31, 2019

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan Amount	Contract Period	Interest	Collaterals or Pledged Assets	Note
A Bank	Financial institution	$ 100,000	2018.10.01~2021.6.26	1.14 %	None	
B Bank	Financial institution	50,000	2018.9.26~2020.3.22	1.30 %	〃	
C Bank	Financial institution	100,000	2019.10.29~2020.1.22	1.00 %	〃	
D Bank	Financial institution	100,000	2018.9.26~2020.9.26	1.30 %	〃	
Sub total		350,000				
Less: Long-term borrowings, current portion		(250,000)				
Long-term loans		**$ 100,000**				

ELITE MATERIAL CO., LTD.

STATEMENT OF NET REVENUE

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Capper clad laminate	6,613,588	$ 2,889,715	
Prepreg	26,609,805	3,055,073	
Mass lam foundry	5,230,112	946,202	
Others		295,712	
		$ 7,186,702	

ELITE MATERIAL CO., LTD.

STATEMENT OF OPERATING COSTS

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount Sub total	Amount Total
Materials, beginning of the year	$ 388,620	
Plus: Purchases	4,524,090	
Less: Material sold	(157,174)	
Materials, end of the year	(555,050)	
Transferred to manufacturing expenses	(64,766)	
Transferred to operating expenses	(23,351)	
Direct materials		4,112,369
Direct labor		461,501
Manufacturing expenses		1,194,329
Total Manufacturing costs		5,768,199
Plus: Work-in-process, beginning of the year	44,795	
Purchased work-in-process	2,959	
Less: Work-in-process, end of the year	(66,792)	
Transferred to manufacturing expenses	(20,753)	
Transferred to operating expenses	(72,583)	(112,374)
Cost of finished goods		5,655,825
Plus: Finished goods, beginning of the year	203,424	
Purchased finished goods	108,570	
Less: Finished goods, end of the year	(190,107)	
Transferred to manufacturing expenses	(4,579)	
Transferred to operating expenses	(27,036)	
Inventory in-transit	(11,554)	
Inventory scraps	(1,527)	77,191
		5,733,016
Cost of goods sold－Material sold		157,174
Loss on disposal of scrap		1,527
Losses on inventory valuation and obsolescence		20,958
Revenue from sales of scraps		(35,147)
Costs of sales		**$ 5,877,528**

ELITE MATERIAL CO., LTD.

STATEMENT OF SELLING EXPENSES

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		$ 29,940	
Shipping expenses		39,605	
Administrative expenses		23,139	
Commission expenses		46,062	
Royalty		23,997	
Export expenses		20,754	
Other expenses		15,497	Client included in others does not exceed 5% of the account balance.
Total		**$ 198,994**	

STATEMENT OF ADMINISTRATIVE EXPENSES

Item	Description	Amount	Note
Payroll expenses		$ 214,159	
Remuneration of directors		38,510	
Other expenses		103,968	Client included in others does not exceed 5% of the account balance.
Total		**$ 356,637**	

ELITE MATERIAL CO., LTD.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Research and development expenses		$ 41,896	
Payroll expenses		98,052	
Other expenses		28,980	Client included in others does not exceed 5% of the account balance.
Total		**$ 168,928**	