

Year 2020

Meeting minutes of Annual General Shareholders' Meeting of

Elite Material Co., Ltd. (EMC)

Date: 18 June 2020

Time: 9:00am Taipei time

Place: No. 18, Datong 1st Road,
Guanyin District, Taoyuan City
Taiwan

Date: Thursday, 18 June 2020

Time: 9:00 a.m. Taipei time

Place: Meeting Room #1 at the company headquarters

No. 18, Datong 1st Road, Guanyin District, Taoyuan City 32849, Taiwan

Shareholders present:

1. Total number of issued shares: 319,708,064
2. Total number of issued and outstanding shares: 319,708,064
3. Total shares represented by shareholders present: 244,586,375 (including shares represented by shareholders who cast the proxy vote via electronic transmission, and the total number of such shares present is 169,730,696)
4. Percentage of shares held by shareholders present: 76.50%

The aggregate shares of shareholders present in person or by proxy constituted a quorum.

Directors present:

Mr. Ding-Yu, Dong (Chairman of the Board of Directors)

Mr. Wen-Shiung, Lee (Director)

Mr. Mon-Chong, Hsieh (Director)

Mr. Duen-Chian, Cheng (Independent Director)

Mr. Rong-Dong, Tsai (Independent Director)

The number of directors present exceeded 50% of the total number of directors.

In attendance:

Certified Public Accountant: Ms. Yi-Chun, Chen

Attorney: Mr. Yu-Yang, Chiu

Chairman: Mr. Ding-Yu, Dong (Chairman of the Board of Directors)

Recorder: Ms. Vicky, Chiang

Meeting called to order

Chairman's address (omitted)

Reporting Items

- 1. To report Year 2019 business operations and financial statements**
- 2. To report review results of Year 2019 business operations and financial statements by the Audit Committee**
The review report by the Audit Committee is attached as Attachment I.
- 3. To report the information of the employees' compensation and the Directors' remuneration**

Proposed resolutions

1. To accept the Year 2019 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of the Year 2019 business report and financial statements.

Explanatory Notes:

- i. EMC's Year 2019 business report and financial statements, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, have been resolved to accept by the 5th board meeting of the 11th term, and have been examined by and determined to be correct and accurate by the Audit Committee of EMC. We thereby submit this report.
- ii. Please accept the aforesaid business report and financial statements

Voting Results:

244,586,375 shares were presented at the time of voting (including votes casted via electronic transmission; hereinafter referred as "e-voting")

Voting results	Shares	% of shares present
For	219,078,846 (Including e-voting: 146,939,077)	89.57%
Against	7,394 (including e-voting: 7,394)	0.00%
Invalid ballots	0 (including e-voting: 0)	0.00%
Abstain	25,500,135 (including e-voting: 22,784,225)	10.43%

RESOLVED, that the 2019 business report and financial statements be and hereby were accepted as submitted.

2. To approve the proposal for distribution of 2019 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2019 profits.

Explanatory Notes:

- i. Cash dividends to common share holders: Totaling NT\$1,918,248,384. Each common share holder will be entitled to receive a cash dividend of NT\$6 per share.
- ii. The fractional dollar amount which is less than one New Taiwan Dollar, if there is any, will not be distributed and will be recognized by the company as other income.
- iii. After being approved at the Annual General Shareholders' Meeting, it is proposed that the Chairman of EMC be authorized to determine the record date and the payment date that the cash dividends will be distributed to common share holders.
- iv. Should EMC subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the Security Act and other relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Chairman of EMC be authorized to adjust the cash to be distributed to each common share, based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.
- v. The 2019 profit allocation proposal is attached as Attachment II.
- vi. Please approve the aforesaid proposal for the distribution of 2019 profits.

Voting Results:

244,586,375 shares were presented at the time of voting (including votes casted via electronic transmission; hereinafter referred as "e-voting")

Voting results	Shares	% of shares present
For	219,095,103 (Including e-voting: 146,955,334)	89.57%
Against	9,394 (including e-voting: 9,394)	0.00%
Invalid ballots	0 (including e-voting: 0)	0.00%
Abstain	25,481,878 (including e-voting: 22,765,968)	10.43%

RESOLVED, that the proposal for the distribution of 2019 profits be and hereby were approved as submitted.

Extemporaneous motion:

None

Meeting Adjourned

Chairman: Ding-Yu, Dong

Recorder: Vicky, Chiang

ATTACHMENTS

Attachment I

Review report by the Audit Committee

To the 2020 General Shareholders' Meeting of Elite Material Co., Ltd.,

In accordance with Article 219 of the Company Act, we have examined the Business Report, the Resolution for Allocation of Surplus Profit, the Financial Statements submitted by the Board of Directors for the year ending 2019 which had been audited by independent auditors, Mr. Calvin C. Y. Chiang and Ms. Chen, Yi-Chun of KPMG, and the auditing report signed by the said independent auditors, and found them in order. We thereby submit the report.



Cheng, Duen-Chian

Convener of the Audit Committee of Elite Material Co., Ltd.

20 March 2020

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

Attachment II

Elite Material Co., Ltd. Profit Allocation Proposal of Year 2019

Unit: NT dollar

Net income of 2019	3,240,844,588
Less:	
10% legal reserve	324,084,459
Special reserve of earnings	408,839,510
Other comprehensive loss (actuarial adjustment of defined benefit plan of Year 2019)	3,284,285
Plus:	
Unappropriated retained earnings of previous years	5,154,342,667
Earnings available for distribution as of 31 December 2018	7,658,979,001
Distribution items:	
Cash dividends to common share holders (NT\$6 per share)	1,918,248,384
Stock dividends to common share holders	-
(Cash dividend per common share is calculated based on a total number of shares outstanding of 319,708,064.)	
Total distribution	1,918,248,384
Unappropriated earnings	5,740,730,617

Note:

1. Pursuant to the Article 36 of Elite Material Co., Ltd. Articles of Incorporation, the distribution order of Year 2019 net income is prior to other distributable items.
2. The number of shares outstanding is decided based on the actual number of outstanding shares as of 20 April 2020.

Chairman & President: Ding-Yu, Dong

Director of Accounting Department: Sara, Yen

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Year 2019 Financial Statements – consolidated basis

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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)(s))	\$ 24,865,522	100	22,890,928	100
5000	Operating costs (Note (6)(f))	(18,765,219)	(75)	(18,314,678)	(80)
	Gross profit from operations	6,100,303	25	4,576,250	20
	Operating expenses:				
6100	Total selling expenses	(745,045)	(3)	(905,054)	(4)
6200	Total administrative expenses	(767,916)	(3)	(496,952)	(2)
6300	Total research and development expenses	(500,441)	(2)	(415,923)	(2)
6450	Impairment loss (Note (6)(d))	(7,351)	-	(2,988)	-
	Total operating expenses	(2,020,753)	(8)	(1,820,917)	(8)
	Net operating income	4,079,550	17	2,755,333	12
	Non-operating income and expenses (Note (6)(u)):				
7010	Other income	90,439	-	66,583	-
7020	Other gains and losses, net	77,072	-	37,865	-
7050	Finance costs, net	(47,069)	-	(32,911)	-
7370	Share of profit of associates and joint ventures accounted for using equity method	3,834	-	-	-
	Total non-operating income and expenses	124,276	-	71,537	-
7900	Profit from continuing operations before tax	4,203,826	17	2,826,870	12
7950	Less: Income tax expenses (Note (6)(p))	(958,525)	(4)	(1,072,437)	(4)
8200	Profit	3,245,301	13	1,754,433	8
	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	(511,213)	(2)	(243,210)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	102,117	-	56,622	-
	Components of other comprehensive income that will be reclassified to profit or loss	(409,096)	(2)	(186,588)	(1)
	Other comprehensive income	(412,750)	(2)	(188,823)	(1)
	Total comprehensive income	\$ 2,832,551	11	1,565,610	7
	Loss attributable to:				
	Owners of the parent company	\$ 3,240,845	13	1,751,378	8
	Non-controlling interests	4,456	-	3,055	-
		\$ 3,245,301	13	1,754,433	8
	Comprehensive income attributable to:				
	Owners of the parent company	\$ 2,828,721	11	1,562,850	7
	Non-controlling interests	3,830	-	2,760	-
		\$ 2,832,551	11	1,565,610	7
	Earnings per share (Note (6)(r))				
	Basic earnings per share (dollars)	\$ 10.14		5.48	
	Diluted earnings per share (dollars)	\$ 9.73		5.32	

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

ELITE MATERIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent		Total other equity interest									
			Exchange		Unrealised		Total Equity		Non-controlling		Total equity	
	Share capital				Differences on Translation of Foreign Statements	gains (losses) on available for sale financial assets	Attributable to Owners of Parent	Interests				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings							
Balance at January 1, 2018	\$ 3,196,524	623,721	1,256,096	126,586	6,905,344	(237,192)	-	11,871,679	11,833	11,883,512		
Profit for the year ended December 31, 2018	-	-	-	-	1,751,378	-	-	1,751,378	3,055	1,754,433		
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(2,166)	(186,293)	(69)	(188,528)	(295)	(188,823)		
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,749,212	(186,293)	(69)	1,562,850	2,760	1,565,610		
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)	-	(1,534,332)		
Other changes in capital surplus:												
Balance at December 31, 2018	3,196,524	623,721	1,535,192	237,192	6,730,522	(423,485)	(69)	11,900,197	14,593	11,914,790		
Effects of retrospective application	-	-	-	-	-	-	-	-	-	-		
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	-	-		
Equity at beginning of period after adjustments	3,196,524	623,721	1,535,192	237,192	6,730,522	(423,485)	(69)	11,900,197	14,593	11,914,790		
Profit for the year ended December 31, 2019	-	-	-	-	3,240,845	-	-	3,240,845	4,456	3,245,301		
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(3,285)	(408,470)	(369)	(412,124)	(626)	(412,750)		
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	3,237,560	(408,470)	(369)	2,828,721	3,830	2,832,551		
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)	-	(1,214,680)		
Other changes in capital surplus:												
Conversion of convertible bonds	556	5,623	-	-	-	-	-	6,179	-	6,179		
Conversion of convertible bonds to ordinary shares	-	(486)	-	-	-	-	-	(486)	-	-		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-		
Balance at December 31, 2019	\$ 3,197,080	628,858	1,710,929	423,554	8,391,903	(831,955)	(438)	13,519,931	16,638	13,536,569		

Companying notes are an integral part of the consolidated financials

ELITE MATERIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	\$ 4,203,826	2,826,870
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	486,420	462,642
Amortization expense	5,637	4,985
Expected credit loss	7,351	2,988
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(15,606)	11,313
Interest expense	21,973	8,217
Interest income	(90,439)	(66,583)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(3,834)	-
Loss on disposal of property, plant and equipment	533	3,171
Amortized discounted corporation bonds payable—interest expense	25,096	24,694
Dividend income	(29,778)	-
Total adjustments to reconcile profit (loss)	407,353	451,427
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	14,415	30,009
Accounts receivable	(1,873,862)	(285,411)
Other receivable	(36,652)	(4,845)
Inventories	(776,384)	308,612
Other current assets	(148,980)	(84,309)
Other operating assets	(90,407)	(72,617)
Total changes in operating assets	(2,911,870)	(108,561)
Changes in operating liabilities:		
Accounts payable	897,045	(126,657)
Other payable	408,199	(164,801)
Receipts in advance	53,727	(3,602)
Other current liabilities	27,039	(38,206)
Net defined benefit liability	(9,254)	(14,170)
Total changes in operating liabilities	1,376,756	(347,436)
Total changes in operating assets and liabilities	(1,535,114)	(455,997)
Total adjustments	(1,127,761)	(4,570)
Cash inflow generated from operations	3,076,065	2,822,300
Interest received	93,444	43,071
Dividends received	29,778	-
Interest paid	(36,346)	(10,877)
Income taxes paid	(697,035)	(767,818)
Net cash flows from operating activities	2,465,906	2,086,676
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(18,624)	-
Acquisition of property, plant and equipment	(1,128,155)	(747,278)
Proceeds from disposal of property, plant and equipment	412	37,996
Acquisition of intangible assets	(8,738)	(5,101)
Acquisition of right-of-use assets	(27,176)	-
Increase in other financial assets	2,313	(12,048)
Decrease in other financial assets	-	(148,426)
Net cash flows used in investing activities	(1,179,968)	(874,857)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term loans	(46,268)	566,466
(Decrease) increase in short-term notes and bills payable	(100,000)	200,000
Proceeds from long-term debt	1,103,005	400,000
Repayments of long-term debt	(500,000)	-
Increase (decrease) in guarantee deposits received	335	(5,413)
Cash dividends paid	(1,216,465)	(1,534,332)
Net cash flows used in financing activities	(759,393)	(373,279)
Effect of exchange rate changes on cash and cash equivalents	(198,722)	(109,162)
Net increase in cash and cash equivalents	327,823	729,378
Cash and cash equivalents at beginning of period	6,022,967	5,293,589
Cash and cash equivalents at end of period	\$ 6,350,790	6,022,967

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

(English Translation of Parent Company Only Financial Statement Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.
Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

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)	13,419,931		

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	<u>(2,883,352)</u>	<u>(2,063,143)</u>
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	<u>(1,033,544)</u>	<u>(155,770)</u>
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	<u>924,771</u>	<u>(134,299)</u>
Total changes in operating assets and liabilities	<u>(108,773)</u>	<u>(290,069)</u>
Total adjustments	<u>(2,992,125)</u>	<u>(2,353,212)</u>
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	<u>1,902,269</u>	<u>(325,399)</u>
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	<u>(394,173)</u>	<u>(517,231)</u>
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	<u>(1,303,141)</u>	<u>(569,928)</u>
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	<u>\$ 480,252</u>	<u>275,297</u>

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

The Independent Auditors' Report by KPMG – consolidated report

Independent Auditors' Report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Elite Material Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated 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 and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 for our opinion.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

The recognition of revenue is based on the fact that the Group 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 Group and the customers. The Group 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)(h) "Inventories" and Note (6)(f)" 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 Group. Inventories have specific life cycle due to their attributes. Apart from this, the Group 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 Group 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 Group 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 Group' s accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories.

Other Matter

Elite Material Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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

The Independent Auditors' Report by KPMG – parent-alone report

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