Stock Code：8016

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Sitronix Annual Report 2019

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

Printed on May 15, 2020

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Name of overseas securities dealers and methods to inquire into overseas securities:
Not Applicable

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Directory of the Annual Report

Chapter 1 Letter to Shareholders

Dear shareholders,

I Operating Performance in 2019

(I) Implementation results of the business plan

In 2019, the annual consolidated operating revenue of Sitronix totaled about NT$13.8 billion, the consolidated operating gross profit was NT$4.385 billion, the consolidated net profit after tax was NT$1.938 billion, and the after-tax EPS was NT$10.27. Besides the smooth growth of mobile products, a breakthrough has been made in many other product lines as well. We wish to continue to achieve excellent performance with the constant efforts of all colleagues and the support of shareholders in the future.

(II) Budget performance

Sitronix did not disclose the financial forecasting for the year 2019, thus it is unnecessary to disclose the budget performance.

(III) Profitability analysis

Item analyzed \ Year		2019 (Note 2)	2018 (Note 2)
Return on assets (%)		20.35%	13.26%
Return on equity (%)		32.81%	19.87%
Ratio in paid-in capital (%)	Operating profit	173.67%	86.71%
	Income before tax	183.40%	93.32%
Net profit rate (%)		14.04%	9.81%
Net profit per share (NT$) (Note 1)		10.27	7.03

Note 1: Calculated by the weighted average number of shares outstanding in the current year.

Note 2: Consolidated financial information using IFRS.

(IV) The condition of research and development

As the feature phone display driver ICs (DDI) market leader, Sitronix is also committed to expanding the DDI categories of smartphones. In addition, the Company has continued to strengthen the development of non-mobile DDI products such as automobile and industrial DDIs, touch controllers, ambient light sensing chips, distance sensors, and MEMS sensors. The future growth can be well expected.

II Business Plan Summary for 2020

In 2020, Sitronix will persistently adhere to the strategy of product differentiation and diversification.

In terms of product diversification, the Company has been involved in various DDI markets such as feature phones, smartphones, wearable devices, automobiles, and industrial devices and also engaged in non-DDI products such as MCUs, power management ICs, distance sensors, optical sensors, and MEMS sensors.

As for product differentiation, Sitronix continuously innovates, researches and develops, upholding the principle of R&D innovation and providing competitive and differentiated products for customers.

III Future Development Strategies of the Company

Looking forward to the future, in addition to continuously strengthening the R&D and sales capabilities and adhering to the strategy of developing product differentiation and diversification, the Company will also strive to improve the design to reduce costs and maintain a good gross margin. Furthermore, the Company will continue to strengthen the control and management of expenses and enhance profitability. In general, Sitronix will continue to maintain sustained and steady growth and share the fruitful operating results with our shareholders, customers, and employees. Thank you again for your long-term support and care.

IV Impacts of External Competition, Regulatory and Overall Business Environment

In order to strengthen the grasp of the external competition, regulatory and overall business environment, the Company attaches great importance to corporate governance and corporate social responsibility and implements environmental protection laws and regulations.

Thank you for the support and care, Sitronix will make greater efforts to achieve maximum success and share it with you all.

Wishing you good health and happiness!

Sitronix Technology Corp
Chairman, Vincent Mao

Chapter 2 Company Profile

I Company Profile

(I) Date of incorporation

The Company was established on July 9, 1992.

(II) Company history

1992	✦ Guanlin Technology was incorporated in Taipei with a capital of NT$5 million.
1993	✦ Established a microcontroller software design team.
1994	✦ Made a cash capital increase of NT$5 million.
1995	✦ Established a computer peripheral software design team.
1996	✦ Established a consumer electronics software R&D team.
1997	✦ Made a cash capital increase of NT$10 million.
1998	✦ Made a cash capital increase of NT$50 million.
	✦ Guanlin Technology officially changed its name to "Sitronix Technology" and reconstructed and transformed it into an IC design company.
	✦ Established a consumer IC design team and set up the System-on-Chip (SOC) Business Unit.
	✦ Gained the investment incentive of"Important Technology Enterprise" from the Industrial Development Bureau, Ministry of Economic Affairs.
1999	✦ Completely transformed into an IC design company.
	✦ Launched a SOC-based consumer IC product.
	✦ Established the Liquid Crystal Drive (LCD) Business Unit.
	✦ Made a cash capital increase of NT$110 million.
2000	✦ Mr. Chen-Chang Hsu, the corporate representative of Wintek Corporation, served as the chairman of the Company.
	✦ Public offering approved by the Securities and Futures Commission, Ministry of Finance.
	✦ Launched electronic dictionary ICs and LCD Driver for OA.
2001	✦ Successfully developed the LCD Driver displaying Chinese fonts and LCD Driver for PDAs.
	✦ Gained the investment incentive of the "Important Emerging Strategic Industry" from the Industrial Development Bureau, Ministry of Economic Affairs.
2002	✦ The first LCD Driver for mobile phones was mass-produced and delivered.
	✦ Launched a new generation electronic dictionary platform.
	✦ Launched a HIFAS series of LCD drivers.
	✦ Made a cash capital increase of NT$35 million.
	✦ Listing and transactions on the Emerging Market approved by Taipei Exchange (TPEx), under the stock code of R246.
2003	✦ Obtained the "Letter of Opinion on Successfully Developed Product/Technology with Market Potential by a Technology Enterprise" from Technology Enterprise Commission, Industrial Development Bureau.
	✦ Approved by the Ministry of Economic Affairs to invest and set up factories in mainland China.
	✦ Launched the LCD Driver for color mobile phones.
	✦ Officially listed on the Technology Sector of Taiwan Stock Exchange (TWSE) under the stock code of 8016 on December 25, 2003.
2004	✦ Indirectly invested in Sitronix Technology (Shenzhen) LLC to engage in the development, sales, and after-sales service of computer hardware and software products and provide related technical consulting services.
2004	✦ Successfully developed the TFT-LCD driver chips for mobile phones.

	✦ Successfully launched the high-end electronic dictionary chipset.
	✦ Started mass production and delivery of the CSTN Driver ICs for mobile phones.
2005	✦ Reinvested in Sida Technology Corporation with a 55% shareholding.
	✦ Completed a new generation architecture platform for electronic dictionary.
	✦ Established the technology of hardware and software for music players.
	✦ Completed the research and development of the educational toy product line.
	✦ Completed the CSTN Driver for the HIFAS architecture.
	✦ Introduced the TFT Mobile Driver for mass production.
	✦ Built the technical capability for the Large Panel Driver.
2006	✦ Reinvested in Sifa Technology Corporation with a 25% shareholding.
	✦ Passed the global quality certification SGS ISO-9001.
	✦ Completed the audio DSP software and hardware development.
	✦ Built the software and hardware platform for 32-bit CPUs.
	✦ Introduced the HIFAS Color STN Driver for mass production.
	✦ Built the technology for LCD Driver for automobiles.
	✦ Introduced the Mobile and Monitor TFT Driver for mass production.
	✦ Built the R&D technology for LCD TV Driver.
2007	✦ Named as one of the top 50 IC design houses in IC Insights' Strategic Reviews for the first time.
	✦ Made a cash capital increase of 3.5 million common shares by private placement and successfully introduced strategic partners.
	✦ Monthly sales broke through NT$600 million for the first time.
	✦ Built an 8-bit and 32-bit digital photo frame system.
	✦ USB interface single chip for wafer reader was recognized by the international manufacturers and introduced for mass production.
	✦ Introduced the Green Driver MSTN/CSTN for mass production and built the R&D technology for Green Driver TFT.
	✦ Introduced the automobiles LCD Driver for mass production.
	✦ Completed the new technology of Crosstalk compensating circuit and introduced for mass production.
	✦ Introduced the Monitor TFT Driver for mass production.
	✦ Completed the verification of 8 bits Source Driver for LCD TV.
	✦ Completed the verification of 400 Channels Gate Driver for LCD monitors.
	✦ Completed the verification of 1200 Channels Source with 480/600 Channels Gate for AV monitor.
2008	✦ Built a multi-functional personal karaoke player.
	✦ Introduced the Palette Driver for mass production.
	✦ Researched and developed the E-Paper driver chip.
	✦ Introduced the LCD driver IC for CABC & Dot Inversion TFT mobile phones.
	✦ Started the mass production of 6 bits 642/720 Channels Source Driver/400 Channels Gate Driver for LCD monitors.
	✦ Completed the verification of 6 bits 960 Channels Source Driver/8 bits Source Driver for LCD monitors.
	✦ Started the mass production of 1200 Channels Source Driver and 600 Channels Gate Driver for low-price notebook panels and completed the verification of 480 Channels Gate Driver.

2009	✦ Started the mass production of products with small-size TFT LCD driver single-chip built-in capacitor technology.

	✦ Started the mass production of products with small-size TFT LCD driver single-chip built-in backlight power-saving technology.
	✦ Researched and developed the TFT LCD drive single-chip Green Driver technology for mobile phones.
	✦ Started the mass production of mini-LVDS/RSDS 6 bits 960 channels COF source driver for LCD monitors.
	✦ Completed the verification of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors.
	✦ Completed the verification of mini-LVDS 768 channels COG source driver for notebook panels.
	✦ Started the mass production of 2 Channels protection ICs for game console power adapters.
	✦ Completed the verification of 4 Channels/3 Channels protection ICs for switching power supplies.
	✦ Started the mass production of source driver for 1200 Channels built-in Timing Controller for digital photo frame panels.
	✦ Multimedia e-cards.
2010	✦ A new generation of multi-functional control chips and processing platform.
	✦ Portable music singing solution.
	✦ Audio and sound control platform.
	✦ The program of 32-bit processor applied in the learning machine market.
	✦ A new generation of 32-bit processor chips.
	✦ The controller chips for Apple accessories products.
	✦ Expanded the driver chips built-in capacitor products for mobile phones.
	✦ Built the small-size, medium, and high-resolution drive chip technology without capacitor.
	✦ Researched and developed the small-size driver chips of integrated circuit for reducing memory unit.
	✦ Built the driver chip high-speed single-channel interface technology for mobile phones.
	✦ Started the mass production of mini-LVDS 768 channels COG source driver for notebook panels.
	✦ Completed the verification of the 960ch gate driver supporting Dual gate architecture for medium-size panels.
	✦ Completed the verification of source drive with 1200 channels built-in Timing Controller for automotive panels.
	✦ Started the mass production of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors.
	✦ Started the mass production of Source/Gate driver for industrial panels.
2011	✦ Expanded the TFT LCD single-chip driver built-in capacitor products for mobile phones.
	✦ Expanded the TFT LCD single-chip driver built-in capacitor products for mobile phones.
	✦ Built the TFT LCD medium and high-resolution drive single-chip technology without capacitor for mobile phones.
	✦ Built the driver single-chip high-speed single-channel interface technology for mobile phones.
	✦ Introduced the new STN Driver IC for customer testing and successfully introduced for mass production at the end of the year.
	✦ Completely developed the TN Driver COG IC and introduced it to the market for promotion.
	✦ Developed the medium-sized TFT 800*480 resolution 2 chip solution, high pin count gate driver, built-in timing generation circuit, driver IC supporting 1024*768 resolution, and arbitrary resolution timing generation circuit.
	✦ Developed the driver IC built-in timing generation circuits, real 8-bit driver chips, and temperature compensation circuits for automotive TFT panels.
	✦ Started the mass production of multi-finger touch solutions for tablet computers.
	✦ Passed the certification of Win7 10-finger touch Logo.

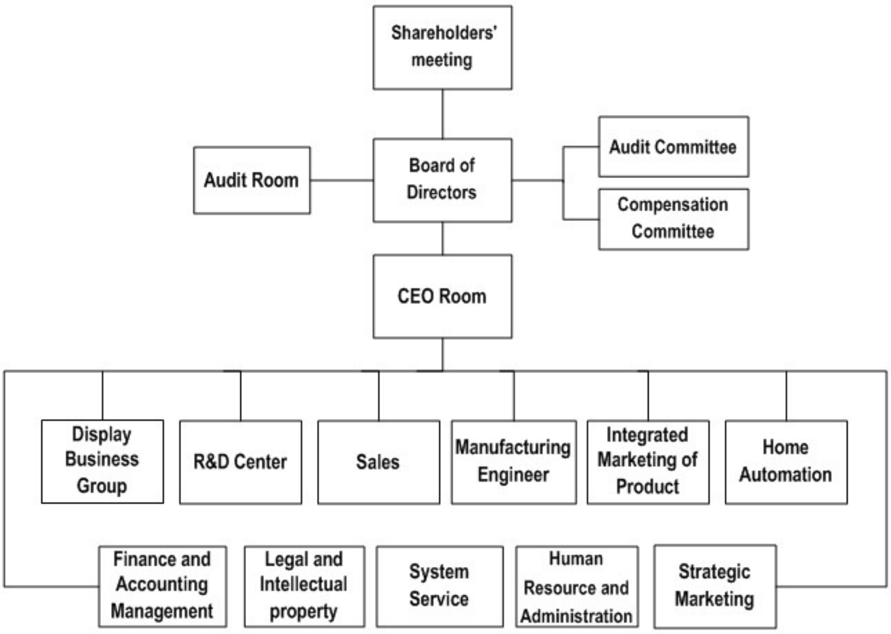
2011	✦ Started the mass production of a new generation of five-finger touch single chip for smartphones.

	✦ Built the Single-layer ITO touch sensing technology.
	✦ Launched a multi-finger touch single chip designed specifically for tablet computers.
	✦ Completed the support of OGS (One Glass Solution) multi-finger touch technology.
	✦ Built the multi-touch technology that could resistant to high noise of power adapters.
2012	✦ Built the drive single-chip technology with small-size, TFT LCD, medium and high resolution, without capacitor.
	✦ Developed the driver chip with built-in timing generation circuits and power circuits.
	✦ Developed the control chip for 3D glasses.
	✦ Mono-STN Green Driver external power supply system.
	✦ Developed the 1024*600 resolution 2 Chip solution.
2013	✦ Built the TFT LCD driver IC with high-speed interface, high-speed SRAM, Line buffer technology for mobile phones.
	✦ HD720(800*1280) for LTPS LCD Driver.
	✦ Built the small-size drive single-chip technology with TFT LCD, medium and high resolution without capacitor for feature phones.
	✦ Developed the ES of PND 480x272 0C driver ICs.
	✦ Researched and developed the STN DRIVER NEW BOOST SYSTEM WITH ZERO CAPS.
2014	✦ 2/4 direction gesture control proximity sensor.
	✦ Small sensor hole proximity sensor.
	✦ 320*240 resolution STN display driver chip for industrial control instrument.
	✦ 480*272 resolution color TFT display driver chip for Smart Home product.
	✦ HVGA (480*320) Zero Cap a_Si TFT LCD driver ICs.
	✦ HD720 (1280*800) a_Si TFT LCD driver ICs.
	✦ WVGA Burst Out DC/DC Convertor for Zero Cap Driver ICs.
	✦ MIPI with 1.5G pbs Lane Speed.
	✦ Touch IP for TDDI (Touch + display driver) Integrated IC.
2015	✦ 320*240 STN with LVDS display driver chip for industrial control instrument.
	✦ 800*480 STN display driver chip for industrial control instrument.
	✦ 1.5 m/m small-sensor-hole proximity sensors.
	✦ 1920*720 1440-channel TFT display driver chip for automotive center stack/instrument cluster.
2016	✦ Announced to launch the HD720 Zero capacitor version.
	✦ Announced to launch the FHD Zero capacitor version.
2017	✦ Started the mass production of automotive touch controller.
	✦ Launched the upgrade version of the distance sensor.
2018	✦ Launched the low power consumption industrial control DDI products.
	✦ Launched the micro-gap distance sensor and under-screen distance sensor.
2019	✦ Launched the upgrade version of the distance and ambient light sensors.
	✦ Launched the advanced drive chip for industrial control displays.
	✦ Launched the drive chip for wearable display.

Chapter 3 Corporate Governance Report

I Organization

(I) Organization chart (December 31, 2019)



(II) The business of each major department

CEO Room and Audit Room	1. Establishing the Company's operational policies and major strategies and formulating operational objectives. Planning and implementing strategic investment cooperation. 2. Implementing and managing internal audits and improving the management performance.
Finance and Accounting Management	1. Comprehensively allocating financial funds and establishing and maintaining the relevant accounting business. 2. Handling related affairs of the shareholders' meeting and shareholder services.
System Service	Responsible for the automation of the Company's operating system and the delivery management of electronic messages.
Human Resources and Administration	1. Implementing the planning and development of the human resource and welfare services of employees. 2. Comprehensively handling the general affairs, procurement, insurance, and property management.
Strategic Marketing	1. Surveying technology application, conducting feasibility evaluation and implementing strategies. 2. Surveying, evaluating, and implementing the feasibility of technical team investment. 3. Evaluation and promotion of the research institution cooperation project. 4. Managing investment corporation and media relations.
Integrated Marketing of Product	1. New product promotion. 2. Strategic research and analysis of product market. 3. Cross-industry analysis and planning research. 4. Strategic research of product integrating promotion.
Home Automation	Design and produce intelligent switch, intelligent socket, automotive home products.

Legal and Intellectual Property	Manage the legal affairs and intellectual property rights related affairs.
Sales	1. Responsible for product sales and service, domestic and international market development, and the marketing plans. 2. Responsible for analysis and management of customer claims, development of application software of related products and functional verification. 3. Management of the delivery reply, delivery reminder, and customer service.
Manufacturing Engineering	4. Planning and execution of product development engineering activities. 5. Planning and implementing mass production and product delivery. 6. Monitoring and improving product and supplier quality. 7. Planning and implementing product cost improvement.
Display Business Group	1. Responsible for specification planning, product development, market information collection, production, and customer support for the display driver products. 2. Responsible for specification planning, product development, market information collection, production and customer support for products of touch control technology. 3. Responsible for specification planning, product development, market information collection, production and customer support for RF safety testing control products 4. Development of application software of related products and functional verification. 5. Development and maintenance of the product system verification tools and methods. 6. Drawing IC layout graphics and its data archive and backup. 7. Development and maintenance of core tools of various circuit architectures and software and hardware related to the preceding task.
R&D Center	1. Responsible for specification planning, product development, market information collection, production and customer support for products of automotive electronics technology. 2. Responsible for specification planning, product development, market information collection, production and customer support for sound effect product. 3. Development of application software of related products and functional verification. 4. Development and maintenance of the product system verification tools and methods. 5. Drawing IC layout graphics and its data archive and backup. 6. Developing and maintaining core tools of various circuit architectures and software and hardware related to the preceding task.

II Information of Directors, Supervisors, General Managers, Assistant General Managers, Assistants and Heads of Departments and Branches

(I) Information of directors

April 26, 2020; Unit: share, %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominees		Major Education and Work Experience	Position(s) Held Concurrently in the Company and/or in Any Other Company	Other Managers, Directors or Supervisors Held by Spouse or Second-degree Relations			Remarks (Note)
							Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)			Title	Name	Relationship	
Chairman	R.O.C.	Vincent Mao (Note 1)	Male	6/27/2018	3	7/9/1992	633,039	0.53%	693,699	0.58%	71,243	0.06%	-	-	EMBA, National Taiwan University Institute of Microelectronics, Cheng Kung University General Manager, Sitronix Technology Corp. Market Planning, United Microelectronics Corp.	Chairman & CEO, Sitronix Technology Corp. Chairman, Sitronix Technology (Belize) Corp. Chairman, Sitronix Technology (Mauritius) Corp. Chairman, Sitronix Holding International Limited. Director, Core Technology Corp. Director, Sensortek Technology Corp. Chairman & CEO, Forcelead Technology Corp. Director, Infinno Technology Corp. Chairman, Sitronix Investment Corp. Director, Sync-Tech System Corp. Director, Silicon Power Computer & Communications Inc. Independent Director, Compal Broadband Networks Inc. Director, ezGlobal Corp.	-	-	-	(Note 3)
Director	R.O.C.	Wen-Bin Lin	Male	6/27/2018	3	1/5/1999	2,200,000	1.83%	2,200,000	1.83%	1,100,000	0.92%	-	-	Electronics, Taipei Tech	None	-	-	-	-
Director	R.O.C.	I-Hsi Cheng (Note 2)	Male	6/27/2018	3	1/5/1999	373,140	0.31%	411,052	0.34%	189,617	0.16%	-	-	Department of Electronics Engineering, NCTU Deputy Manager, Design Department, Novatek Microelectronics Corp.	CRO, Sitronix Technology Corp. Chairman, mCore Technology Corp.	-	-	-	-
Director	R.O.C.	Silicon Power Computer & Communications Inc.	-	6/27/2018	3	6/11/2014	3,000,000	2.49%	3,150,000	2.62%	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Hui-Ming Chen	Male	6/27/2018	3	6/11/2014	20	0.00%	20	0.00%	20	0.00%	-	-	MBA, University of Central Oklahoma (U.S.) Assistant General Manager, Sales Division, Transcend Information, Inc.	Chairman & CEO, Silicon Power Computer & Communications Inc. Chairman, Silicon Power Computer & Communications Netherlands B.V Chairman, Silicon Power Computer & Communications USA Inc. Chairman,Silicon Power Computer & Communications HK Ltd Director, Wang Xin Investment Corp. Director, Silicon Power Investment Co., Ltd. Supervisor, Silicon Power Japan Co., Ltd.	-	-	-	-
Director	R.O.C.	Sheng-Su Lee (Note 4)	Male	6/27/2018	3	6/22/2015	259,821	0.22%	259,821	0.22%	-	-	-	-	Graduate Institute of Electrical Engineering, National Taiwan University General Manager, Sitronix Technology Corp.	Deputy Chairman & Deputy CEO, Silicon Power Computer & Communications Inc. Chairman & CEO, Sensortek Technology Corp. Director, Silicon Power Investment Co., Ltd.	-	-	-	-
Director	R.O.C.	Yan-Chiang Fan	Male	6/27/2018	3	3/10/2000	938,424	0.78%	985,424	0.82%	2,423	0.00%	-	-	Yu Da High School of Commerce and Home Economics President, Shin Hwa Group	None	-	-	-	-
Independent Director	R.O.C.	Cheng-Chieh Dai	Male	6/27/2018	3	6/10/2010	1,019	0.00%	1,019	0.00%	17,669	0.01%	-	-	Institute of Electrical Engineering, State University of New York at Stony Brook Department of Electrical Engineering, Cheng Kung University Assistant General Manager, Accusys, Inc. Business Manager, Elitegroup Computer Systems Inc.	General Manager, Accuvision Technology Inc. Director, General Manager, Accuvision Technology Inc. Independent Director, NEXCOM International Co., Ltd. Director, STL Technology Ltd.	-	-	-	-
Independent Director	R.O.C.	Chieh-Sheng Hsiao	Male	6/27/2018	3	6/27/2018	70,330	0.06%	6,330	0.01%	26,185	0.02%	-	-	Institute of Microelectronics, Cheng Kung University Market Planning, United Microelectronics Corp.	Special Assistant to the Chairman,IC Plus Corp.	-	-	-	-
Independent Director	R.O.C.	Yu-Nu Lin	Female	6/27/2018	3	6/27/2018	0	0.00%	0	0.00%	-	-	-	-	EMBA, Taiwan University Department of Accounting, Chengchi University Sales Deputy Manager Taiwan Securities Co., Ltd. Intermediate auditor, KPMG Taiwan Passing the Accounting Entrance Exam.	Financial Deputy General Manager,Chin-Poon Industrial Co., Ltd.	-	-	-	-

Note 1: Chairman Vincent Mao holds 800,000 shares of trust shares reserved with the right to decide utilization.

Note 2: Director I-Hsi Cheng holds 1,200,000 shares of trust shares reserved with the right to decide utilization.

Note 3: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.:
Although the Chairman of the Board of Directors and CEO are the same person, CEO acts to coordinate the integration of resources of the Company. In terms of practical operation, the CEO authorizes the General Manager, CRO and Deputy General Manager to make independent decisions. The Company will increase the number of Independent Directors to four in the future and ensure that more than half of the Directors are not concurrently employees or Managers.

Note 4: Director Sheng-Su Lee holds 591,874 shares of trust shares reserved with the right to decide utilization.

(II) Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Top 10 Institutional Shareholders	Shareholding Percentage (%)
Silicon Power Computer & Communications Inc.	Wang Xin Investment Corp.	7.45%
	Sitronix Technology Corp.	6.53%
	Guang Sheng Technology Co.,Ltd.	3.80%
	Morgan Stanley & Co. International Plc	3.39%
	Pei Jung Yuan	1.51%
	Trust Property Account Entrusted by Hui Ming Chen in Mega International Commercial Bank	1.50%
	Shao Li Huang	1.27%
	Hui Ming Chen	1.15%
	Jian,Xian Technology Co.,Ltd.	1.14%
	Trust Property Account Entrusted in Mega International Commercial Bank by Pei Jung Yuan	0.96%

Note: The shareholding information of Silicon Power Computer & Communications Inc. in April 21, 2020.

(III) Where major shareholder is legal person and its major shareholders:

Name of Institutional Shareholders	Top 10 Institutional Shareholders	Shareholding Ratio
Wang Xin Investment Corp.	Hui Ming Chen	99.7%
	Xin Xin Yang	0.3%
Sitronix Technology Corp.	Please refer to the shareholder Information on the top ten	-
Guang Sheng Technology Co.,Ltd.	Li Li Su	12%
	Sheng Su Lee	12%
	Rui Huan Lee	76%
Jian,Xian Technology Co.,Ltd.	Shu Nuan Hou	15%
	Xi Bin Lee	15%
	Shao Hui Lee	35%
	Rou Wei Lee	35%

(IV) Whether the directors and supervisors have five or more years of work experience and professional qualifications and meet the following requirements:

April 26, 2020

Name / Condition	5 or More Years of Work Experience and Professional Qualifications (Note 1)			Meets the Independence (Note 2)												Hold concurrent post of Independent Director of other publicly owned corporations
	1	2	3	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman Vincent Mao			✓					✓	✓		✓	✓	✓	✓	✓	1
Director Wen-Bin Lin			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director I-Hsi Cheng			✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Director - Silicon Power Computer & Communications Inc. Representative: Hui-Ming Chen			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		0
Director Sheng-Su Lee			✓			✓			✓	✓		✓	✓	✓	✓	0
Director Yan-Chiang Fan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Cheng-Chieh Dai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Chieh-Sheng Hsiao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Yu-Nu Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: For any Director or Supervisor who meets the following professional qualification, please tick [√] the box next to the corresponding conditions.

(1) Lecturer or above in business, legal, finance, accounting or corporate business in public or private universities.

(2) Judges, prosecutors, lawyers, CPA or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the Company.

(3) Work experience in business, legal, finance, accounting or corporate business.

Note 2: For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [√] sign in the field next to the corresponding conditions.

(1) Neither an employee of the Company nor its affiliates.

(2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (1) and (2).

(5) Neither a Director, Supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a

specified company or institution that has a financial or business relationship with the Company.

(6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, nor employee of that other company. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(7) If the Chairperson, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(8) Neither a Director, Supervisor, Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not applicable in cases where a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company, and where an independent Director of the company has served as an Independent Director of the company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the company.

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship with any Director.

(11) Any of the matters under Article 30 of the Company Act.

(12) No government, legal person or its representative has been elected as provided in Article 27 of the Company Act.

(V) Information on the general manager, assistant general managers, deputy assistant general managers and the supervisors of all the Company's divisions and branches units

April 26, 2020; Unit: share, %

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date Elected</th><th colspan="2">Share holding</th><th colspan="2">Shareholding by Spouse and Minor Children</th><th colspan="2">Shareholding through Nominees</th><th rowspan="2">Major Education and Work Experience</th><th rowspan="2">Titles Currently hold concurrent posts in other companies</th><th colspan="3">Managers Held by Spouse or Second-degree Relations</th><th rowspan="2">Remarks (Note)</th></tr>
<tr><th>Number of Shares</th><th>Percentage (%)</th><th>Number of Shares</th><th>Percentage (%)</th><th>Number of Shares</th><th>Percentage (%)</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Chairman & CEO</td><td>R.O.C.</td><td>Vincent Mao (Note 1)</td><td>Male</td><td>4/28/2003</td><td>693,699</td><td>0.58%</td><td>71,243</td><td>0.06%</td><td>-</td><td>-</td><td>EMBA, National Taiwan University
Institute of Microelectronics, Cheng Kung University
General Manager, Sitronix Technology Corp.
Market Planning, United Microelectronics Corp.</td><td>Chairman, Sitronix Technology (Belize) Corp.
Chairman, Sitronix Technology (Mauritius) Corp.
Chairman, Sitronix Holding International Limited.
Director, mCore Technology Corp.
Director, Sensortek Technology Corp.
Chairman & CEO, Forcelead Technology Corp.
Director, Infinno Technology Corp.
Chairman, Sitronix Investment Corp.
Director, Sync-Tech System Corp.
Director, Silicon Power Computer & Communications Inc.
Independent Director, Compal Broadband Networks Inc.
Director, ezGlobal Corp.</td><td>None</td><td>None</td><td>None</td><td>(Note 4)</td></tr>
<tr><td>General Manager</td><td>R.O.C.</td><td>Wei Wang</td><td>Male</td><td>3/13/2013</td><td>131,719</td><td>0.11%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Department of Electronic, Chung Yuan Christian University
Market Division Deputy General Manager, Holtek Semiconductor Inc.</td><td>Director, mCore Technology Corp.
Director, Forcelead Technology Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>CRO</td><td>R.O.C.</td><td>I-Hsi Cheng (Note 2)</td><td>Male</td><td>4/1/2004</td><td>411,052</td><td>0.34%</td><td>189,617</td><td>0.16%</td><td>-</td><td>-</td><td>Department of Electronics Engineering, NCTU
United Microelectronics Corp.
Deputy Manager, Design Department, Novatek Microelectronics Corp.</td><td>Chairman, mCore Technology Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>CRO</td><td>R.O.C.</td><td>Chun-Sheng Lin (Note 3)</td><td>Male</td><td>2/1/2005</td><td>105,787</td><td>0.09%</td><td>28,313</td><td>0.02%</td><td>-</td><td>-</td><td>Department of Electronic, Feng Chia University
Executive Manager, R&D Division, EPSON</td><td>Director, Infinno Technology Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Assistant General Manager</td><td>R.O.C.</td><td>Meng-Huang Liu</td><td>Male</td><td>3/13/2013</td><td>1,005</td><td>0.00%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Ph. D., Institute of Microelectronics, Cheng Kung University
Senior Deputy Assistant General Manager, Analog Design Division, Sentelic Corporation
Deputy Manager, Macronix International Co., Ltd</td><td>Director, Sync-Tech System Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Supervisor of Financial Division</td><td>R.O.C.</td><td>Xu-Fang Hsu</td><td>Female</td><td>7/1/2014</td><td>49,430</td><td>0.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Department of Accounting, Soochow University</td><td>Director, Sitronix Investment Corp.
Supervisor, Sync-Tech System Corp.
Supervisor, Infinno Technology Corp
Supervisor, mCore Technology Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Supervisor of Accounting Division</td><td>R.O.C.</td><td>Xu-Fang Hsu</td><td>Female</td><td>10/26/2010</td><td>49,430</td><td>0.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Department of Accounting, Soochow University</td><td>Director, Sitronix Investment Corp.
Supervisor, Sync-Tech System Corp.
Supervisor, Infinno Technology Corp
Supervisor, mCore Technology Corp.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
</table>

Note 1: Chairman Vincent Mao holds 800,000 shares of trust shares reserved with the right to decide utilization.

Note 2: CRO I-Hsi Cheng holds 1,200,000 shares of trust shares reserved with the right to decide utilization.

Note 3: CRO Chun-Sheng Lin holds 200,000 shares of trust shares reserved with the right to decide utilization.

Note 4: Where the Chairperson of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

Although the Chairman of the Board of Directors and CEO are the same person, CEO acts to coordinate the integration of resources of the Company. In terms of practical operation, the CEO authorizes the General Manager, CRO and Deputy General Manager to make independent decisions. The Company will increase the number of Independent Directors to four in the future and ensure that more than half of the Directors are not concurrently employees or Managers.

III Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers

1. Remuneration of Directors and Independent Directors

December 31, 2019; Unit: NT$ thousand

Title	Name	Remuneration of Directors								Ratio of A, B, C, D Total Remuneration to Net Income (%)		Compensations Paid to Concurrent Employees								Ratio of Total Remuneration of A, B, C, D, E, F and G in Net Income After Tax (%)		Remuneration from an Invested Company Other than The Company's Subsidiary or from the Parent Company
		Base Compensation (A)		Retirement Pension (B)		Remuneration to Directors (Note 1)		Business Execution Expenses (D) (Note 2)				Salary, Bonus and Allowances (E)		Retirement Pension (F)		Employee remuneration (G) (Note 1)						
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
																Cash	Stock amount	Cash	Stock amount			
Chairman & CEO	Vincent Mao	-	-	-	-	27,635	27,635	44	44	2.25%	2.25%	8,482	13,036	203	203	2,375	-	9,283	0	3.15%	4.08%	None
Director	Wen-Bin Lin																					
Director & CRO	I-Hsi Cheng																					
Director	Silicon Power Computer & Communications Inc.																					
	Representative: Hui-Ming Chen																					
Director	Sheng-Su Lee																					
Director	Yan-Chiang Fan																					
Independent Director	Cheng-Chieh Dai	-	-	-	-	5,372	5,372	562	562	0.48%	0.48%	-	-	-	-	-	-	-	-	0.48%	0.48%	None
Independent Director	Chieh-Sheng Hsiao																					
Independent Director	Yu-Nu Lin																					

1. Please state the policies, systems, standards, and structure for the remuneration of the Independent Directors, and state the correlation to the remuneration according to the responsibilities, risks time commitment and other factors:
   The Independent Directors of the Company is also members of the Remuneration Committee and Audit Committee and is responsible for independent supervision of the corporate governance and is liable for presumed fault. The Independent Directors of the Company shall receive a fixed remuneration from the Remuneration Committee on a monthly basis. And If the Company has gained profits within a fiscal year, less than 3% of the profits shall be reserved as the Director's remuneration in accordance with the current Articles of Incorporation. The annual remuneration for each Independent Director of the Company accounts for 4-8% of the remuneration for Directors approximately. In addition to attending the Remuneration Committee, the Audit Committee and the Board of Directors in person each year, the Independent Director shall also understand the operating conditions of the Company and master the trends of the industry so as to make a correct assessment and judgment and achieve the objectives of supervision and review.
2. Unless disclosed in the above table, the remuneration received in the most recent year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies listed in the consolidated financial report: NT$230 thousand.

Note 1: The remuneration of Directors and employees in this table was approved by the Board of Directors in March, 2020, and the proposed allocation was calculated according to the proportion of the actual amount allocated in the previous year and the term of office.

Note 2. Hui-Ming Chen is an Institutional Director - Representative of Silicon Power Computer & Communications Inc. The business execution expenses were paid to the individual, and the surplus was distributed as remuneration to the Institutional Director. The business execution fees received by the Independent Directors refers to the remuneration received from the Remuneration Committee.

Ranges of Remuneration Paid to Each Director of the Company	Name of Director			
	Total Remuneration for the First Four Items (A+B+C+D)		Total Remuneration for the First Seven Items (A+B+C+D+E+F+G)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Less than 1,000,000	Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Ming Chen	Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Ming Chen	Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Ming Chen	Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Ming Chen
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Cheng-Chieh Dai, Chieh-Sheng Hsiao, Yu-Nu Lin	Cheng-Chieh Dai, Chieh-Sheng Hsiao, Yu-Nu Lin	Cheng-Chieh Dai, Chieh-Sheng Hsiao, Yu-Nu Lin	Cheng-Chieh Dai, Chieh-Sheng Hsiao, Yu-Nu Lin
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Silicon Power Computer & Communications Inc., Wen-Bin Lin, Yan-Chiang Fan, I-Hsi Cheng, Sheng-Su Lee	Silicon Power Computer & Communications Inc., Wen-Bin Lin, Yan-Chiang Fan, I-Hsi Cheng, Sheng-Su Lee	Silicon Power Computer & Communications Inc., Wen-Bin Lin, Yan-Chiang Fan, Sheng-Su Lee	Silicon Power Computer & Communications Inc., Wen-Bin Lin, Yan-Chiang Fan
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	-	-	-	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Vincent Mao	Vincent Mao	I-Hsi Cheng	I-Hsi Cheng
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-	Vincent Mao	Vincent Mao, Sheng-Su Lee
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-	-	-
More than 100,000,000	-	-	-	-
Total	10	10	10	10

2. Remuneration for Supervisors: The Company has set up an Audit Committee, thus it is not applicable.

3. Remuneration for the General Managers and Assistant General Managers

December 31, 2019; Unit: NT$ thousand

Title	Name	Pay (A)		Retirement Pension (B) (Note 1)		Bonuses and Allowances (C)		Employees' Remuneration (D) (Note 2)				Ratio of A, B, C, D Total Remuneration to Net Income (%)		Remuneration from an Invested Company Other than The Company's Subsidiary or from the Parent Company
								The Company		All Companies in the Consolidated Financial Statements listed in the consolidated financial report				
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	Cash	Stock amount	Cash	Stock amount	The Company	All Companies in the Consolidated Financial Statements	
Chairman & CEO	Vincent Mao	12,952	12,952	741	741	12,033	12,556	8,639	-	10,118	-	2.79%	2.96%	None
General Manager	Wei Wang													
CRO	I-Hsi Cheng													
CRO	Chun-Sheng Lin													
Assistant General Manager	Meng-Huang Liu													
Finance/Accounting Supervisor	Xu-Fang Hsu													

Ranges of Remuneration paid to General Manager and Assistant General Managers of the Company	Name of General Manager and Assistant General Manager	
	The Company	All Companies in the Consolidated Financial Statements
Less than 1,000,000	-	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	-	-
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	-	-
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	-	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Vincent Mao, Wei Wang, Chun-Sheng Lin I-Hsi Cheng, Meng-Huang Liu	Vincent Mao, Wei Wang, Chun-Sheng Lin I-Hsi Cheng, Meng-Huang Liu
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
More than 100,000,000		
Total	5	5

Note 1: The retirement pensions in this table was set aside by the expensed of the 2019 fiscal year.

Note 2: The remuneration of employees in this table was approved by the Board of Directors in March, 2020, and the proposed distribution was calculated according to the proportion of the actual amount distributed in the previous year.

4. Names of Managers and the Allocation of Employee's Remuneration:

December 31, 2019; Unit: NT$ thousand

Title		Name	Stock amount	Cash	Total	Total Amount as A Proportion of Net Income After Tax (%)
Manager	Chairman & CEO	Vincent Mao	-	8,639	8,639	0.70%
	General Manager	Wei Wang				
	CRO	I-Hsi Cheng				
	CRO	Chun-Sheng Lin				
	Assistant General Manager	Meng-Huang Liu				
	Finance Supervisor/Accounting Supervisor	Xu-Fang Hsu				

Note: The remuneration of employees in this table was approved by the Board of Directors in March, 2020, and the proposed distribution was calculated according to the proportion of the actual amount distributed in the previous year.

5. Separately compare and describe the total remuneration paid to the Directors, Supervisors, General Managers and Assistant General Managers of the Company in the last two fiscal years as a percentage of the net income after tax of the individual or of the individual financial reports by the Company and by all companies in the consolidated statements, and analyze and describe the policies, standards and combination of remuneration payment, the procedures for determining remuneration, and its linkage to operating performance and future risk exposure.

(1) Analysis of the total remuneration paid to the Directors, Supervisors, General Managers and Assistant General Managers of the Company in the last two fiscal years as a percentage of the net income after tax of the individual or of the individual financial reports

Item / Title	Total Remuneration as A Proportion of Net Income After Tax			
	2018		2019	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Director (Including Concurrent Managers)	3.50%	3.94%	3.63%	4.56%
Supervisors	0.21%	0.21%	-	-
General Manager and Assistant General Manager	3.08%	3.30%	2.79%	2.96%

(2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

The remuneration paid to the Directors and Supervisors by the Company was set aside in accordance with the provisions of the Company's articles of incorporation, reviewed by the Remuneration Committee, submitted to the Board of Directors for approval, and then reported to the board of shareholders, and distributed according to the number of Directors and Supervisors. The remuneration paid to the General Manager and Assistant General Managers was based on their positions, responsibilities and contributions to the Company, with reference to the remuneration standard of the same trade concerned, and was submitted to the Remuneration Committee for review and approved by the Board of Directors. Except for the above-mentioned, the Company minimized the possibility of future operating risk exposure and review the remuneration system in accordance with the actual operating conditions and relevant laws and regulations at any time to strive for a balance between the Company's sustainable operation and risk control.

IV The State of the Company's Implementation of Corporate Governance

(I) The state of operations of the Board of Directors

A total of four meetings (A) have been held by the Board of Directors in the most fiscal year, with the Directors' attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person [B/A]	Remarks
Chairman	Vincent Mao	4	0	100%	None
Director	I-Hsi Cheng	4	0	100%	None
Director	Wen-Bin Lin	4	0	100%	None
Director	Silicon Power Computer & Communications Inc. Corporate representative: Hui-Ming Chen	4	0	100%	None
Director	Sheng-Su Lee	4	0	100%	None
Director	Yan-Chiang Fan	3	0	75%	None
Independent Director	Cheng-Chieh Dai	4	0	100%	None
Independent Director	Chieh-Sheng Hsiao	2	2	50%	None
Independent Director	Yu-Nu Lin	4	0	100%	None

Other matters that shall be reported:

I. Where one of the following circumstances apply for the operations of the Board of Director meetings, the date, session, proposal contents, opinions of all Independent Directors, and the Company's actions in response to the opinions of the Independent Directors shall be stated:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: Please refer to Page 37~39.

(II) Except for the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

II. During the execution process where the Director avoid from interested proposal, the name of the Director, the content of proposal, the reason of avoidance and the results of the voting should be stated:

03-15-2019 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "Distribution Plan of Operation and Project Bonus for Managers for the 2018 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

03-15-2019 Board Meeting: Vincent Mao, I-Hsi Cheng, Wen-Bin Lin, Corporate representative of Silicon Power Computer & Communications Inc.: Hui-Ming Chen, Sheng-Su Lee, Yan-Chiang Fan, Cheng-Chieh Dai, Chieh-Sheng Hsiao, Yu-Nu Lin, on the discussion and voting of the "Distribution Plan of Remuneration for Employees, Directors and Supervisors for the 2018 Fiscal Year", the interested Directors took turns to avoid, and the other Directors present expressed unanimous consent.

05-03-2019 Board Meeting: Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

08-02-2019 Board Meeting:	Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "The First Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.
08-02-2019 Board Meeting:	Vincent Mao, I-Hsi Cheng, Wen-Bin Lin recused and did not participate in the discussion and voting of the "Acquisition of Equity in the Subsidiary (Forcelead Technology Corp.)" for the prevention of conflict of interests involved.
11-01-2019 Board Meeting:	Vincent Mao, I-Hsi Cheng recused and did not participate in the discussion and voting of the "The Second Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year Reviewed by the Remuneration Committee" for the prevention of conflict of interests involved.

III. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) shall disclose the cycles, periods, scope, method, contents and other matters of the self-evaluation by the the board members of themselves (or peers), and state the implementation status of the board members' evaluation:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	Performance evaluation the of the Board of Directors for the period from January 1 to December 31, 2020	Performance evaluation of the the board as a whole, individual directors and functional committees	Internal evaluation of the board, self-evaluation by the board members of themselves, peer evaluation	Perform in accordance with the Company's Questionnaire of Self-Evaluation of Performance of the Board

IV. An evaluation of objectives and implementation status in the area of strengthening the functions of the Board of Directors for current and most recent fiscal year:

Targets for Strengthening of the Functions of the Board of Directors	The Evaluation of Implementation Status
Improve the quality of the Board of Directors	Improve the function of the Board of Directors, adopt a candidate nomination system for Directors, with members of diversify and profession. Arrange the Directors to participate in advanced courses every year and regularly advocate policies and regulations to enhance the Board's operational and decision-making capabilities.
Establish a sound structure of the Board of Directors	The Company has set up an Audit Committee, with review by each Independent Director on all important proposals in their professional capacity. Besides, the Company has set up the Remuneration Committee to evaluate and review the Remuneration Committee system of the Company's Directors and Managers every year and make recommendations to the Board of Directors for decision-making.
The compliance of Directors recuse himself to avoid conflicts of interest	Where a Director is required to refuse the proposal involving a conflict of interest, the Director refused voluntarily from the proposal.

Targets for Strengthening of the Functions of the Board of Directors	The Evaluation of Implementation Status
Evaluate the independence of the CPA	The Company's current entrusted "Deloitte & Touche" is one of the four major domestic firms. The Board of Directors regularly evaluates the independence of the CPA on the following matters to enhance the trustworthiness of the Company's financial reports: I. An independent declaration issued by the CPA. II. Ensure that he CPA has no material financial interests or potential employment relationships with the Company and subsidiaries, which will affects his independence. III. The same CPA has not continuously performed attesting services for more than seven years.
The compliance of laws and policies	The Board of Directors has indeed complied with the operation of the "Rules of Procedure for Board of Directors Meetings" and adhered to the information transparency. The material resolutions of the Board of Directors were publicly announced and filed on the Market Observation Post System (MOPS) and the Company's website in accordance with the regulations, and the implementation was in a good condition.
Internal control	The auditing unit shall supervise the Company's internal control and risk management, and the auditing Supervisor shall attend the Board of Directors and report the implementation of the Company.

(II) The Operation of the Audit Committee

A total of four meetings (A) have been held by the Audit Committee in the most fiscal year, with their attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person(%) [B/A]	Remarks
Independent Director	Cheng-Chieh Dai	4	0	100%	None
Independent Director	Chieh-Sheng Hsiao	2	2	50%	None
Independent Director	Yu-Nu Lin	4	0	100%	None

Other matters that shall be reported:

I. Where one of the matters listed in Article 14-5 of the Securities and Exchange Act and the matters are not approved by the Audit Committee, but had the consent of more than two-thirds of all Directors, the date, session, proposal contents and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee shall be stated:

Date of Meeting	Major Resolutions	Resolutions passed by more than two-thirds of all Directors but without approval of the Audit Committee
2019.3.15 The 3rd Board Meeting of The 1st Session	Passed the proposal on self-evaluation report and the declaration of internal control system for the year 2018.	None
	Passed the proposal on the 2018 Financial Statements and Business Report.	None
	Passed the proposal on the 2018 Earning Distribution Plan.	None
	Passed the proposal on the amendment to the Company's "Handling Procedures for the Acquisition and Disposal of Assets" and "Handling Procedure to Engage in the Transaction of Derivative Products"	None
	Passed the proposal on the amendment to partial provisions of" Information Cycle" of the Company's internal control system.	None
	Passed the proposal on the cancellation of the new restricted employee shares and reduce the capital of the Company.	None
	Passed the proposal on the ratification of endorsement and guarantee for the subsidiary (Sync-Tech System Corp.) to apply for the bank loan quota.	None
	Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.).	None
2019.5.3 The 4th Board Meeting of The 1st Session	Passed the proposal on the consolidated financial reports for the first quarter of 2019.	None
	Passed the proposal on the "Operational Procedures for Endorsements/Guarantees" and "Operational Procedures for Loaning Funds to Others".	None
	Passed the proposal on the increase of the amount of endorsement and guarantee for the subsidiary (HeFeiSitronix Co., Ltd).	None
2019.8.2 The 5th Board Meeting of The 1st Session	Passed the proposal on the acquisition of equity in the Subsidiary (Forcelead Technology Corp.).	None
	Passed the proposal on loaning funds to the subsidiary (Sync-Tech System Corp.).	None
	Passed the proposal on loaning funds to the subsidiary (Infinno TechnologyCorp.).	None

Date of Meeting	Major Resolutions	Resolutions passed by more than two-thirds of all Directors but without approval of the Audit Committee
2019.11.1 The 6th Board Meeting of The 1st Session	Passed the proposal on the Internal Audit Plan for the year 2020.	None
	Passed the proposal on the evaluation of the independence of the CPA.	None
	Passed the proposal on the review of the CPA's professional fees.	None
	Passed the proposal on the Adjustment of the amount of endorsements and guarantees for subsidiaries.	None
	Passed the proposal on loaning funds to the subsidiary (Forcelead Technology Corp.).	None
	Passed the proposal on loaning funds to the subsidiary (mCore TechnologyCorp.).	None
	Passed the proposal on the cancellation of the new restricted employee shares and reduce the capital of the Company.	None
2020.3.13 The 7th Board Meeting of The 1st Session	Passed the proposal on self-evaluation report and the declaration of internal control system for the year 2019.	None
	Passed the proposal on the 2019 Financial Statements and Business Report.	None
	Passed the proposal on the 2019 Earning Distribution Plan.	None
	Passed the proposal on the "Self-Evaluation and Peer Evaluation of Performance of the Board".	None
	Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.).	None
2020.5.6 The 8th Board Meeting of The 1st Session	Passed the proposal on the Disposal of Right-of-use Asset.	None

II. Implementation Status of the Independent Director's refusal of proposal involved in conflicts of interest: None.

III. Communication between Independent Directors, Supervisor of internal audit and CPA:

1. Communication between Independent Directors and Supervisor of internal audit:
   The audit Supervisor shall send the audit report of the previous month to the Independent Directors via E-mail every month and communicate as necessary. The important contents of the communication and interaction between the Independent Directors and the Supervisor of internal audit within the Audit Committee shall be recorded in the Audit Committee's proceedings.

Date	Communication Method	Communication Matters, Opinions of Independent Directors and Follow-up Measures
2019/3/15	The Third Audit Committee Meeting of the First Session	1. The audit Supervisor reported the performance and results of the internal audit in the fourth quarter of 2018; The Independent Director expressed consent on the content of the report.
2019/5/3	The Fourth Audit Committee Meeting of The First Session	1. The Audit Supervisor reported the performance and results of the internal audit in the first quarter of 2019; The Independent Director expressed consent on the content of the report.
2019/8/2	The Fifth Audit Committee Meeting of the First Session	1. The Audit Supervisor reported the performance and results of the internal audit in the second quarter of 2019; The Independent Director expressed consent on the content of the report.
2019/11/1	The Sixth Audit Committee Meeting of the First Session	1. The Audit Supervisor reported the performance and results of the internal audit in the third quarter of 2019; The Independent Director expressed consent on the content of the report.
2020/3/13	The Seventh Audit Committee Meeting of the First Session	1. The Audit Supervisor reported the performance and results of the internal audit in the fourth quarter of 2019; The Independent Director expressed consent on the content of the report.
2020/5/6	The eighth Audit Committee Meeting of the First Session	2. The Audit Supervisor reported the performance and results of the internal audit in the first quarter of 2020; The Independent Director expressed consent on the content of the report.

2. Communication between Independent Directors and CPA:
   The CPA attended the Audit Committee Meeting in March 2020, reporting the audit results of the annual financial reports, audit report of key matters, communicated with the Audit Committee about the audit situation and introduced the latest regulatory laws and tax information in Taiwan.

(III) State of corporate governance implementation and differences from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons

Assessed Items	Implementation Status			Difference from "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Description	
I. Does the Company set and disclose corporate governance code of practice according to the "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies"?	✓		In order to establish a good corporate governance system, the Company has formulated the "Corporate Governance Best-Practice Principles" according to the "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies," which has been approved by the Board of Directors and disclosed on the Company's website.	No material difference
II. Ownership structure and the rights and interests of shareholders (I) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? (II) Does the Company have a list of those who ultimately control the major shareholders of the Company? (III) How does the Company establish its risk management mechanism and firewalls involving related enterprises? (IV) Has the Company set internal standards to prohibit insiders from using the undisclosed information in the market to trade securities?	✓ ✓ ✓ ✓		(I) The Company has formulated the "Rules of Procedure for Shareholders' Meetings" and set up a speech system in accordance with the regulations, in which the spokesperson can properly handle issues such as the shareholders' suggestions or disputes. The Company has set up a spokesperson contact e-mail on the Company's website to facilitate good communication between the Company and investors. (II) The Company has controlled the list of its shareholders provided by the shareholder services agent and has reported the information of the changes in the shareholding of Directors, Supervisors and major shareholders on a monthly basis in accordance with the provisions. (III) The Company has formulated the "Supervision Measures for Subsidiary," "Operational Procedures for Transactions of Affiliates, Specific Companies and Enterprise Groups," and transactions within the affiliated enterprises were carried out in accordance with the Measures and Procedures. (IV) The Company has formulated the "Procedures for Handling Material Inside Information" to prohibit corporate insiders from using the undisclosed information in the market to trade securities and has informed the corporate insiders of material information for attention.	No material difference

Assessed Items	Implementation Status			Difference from "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Description	
III. Organization and responsibilities of the Board of Directors (I) Does the Board of Directors set and implement a diversification policy? (II) Has the Company established other functional committees besides the Remuneration Committee and Audit Committee? (III) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform this evaluation every year, report the results of the performance appraisal to the Board of Directors and apply them to the remuneration of individual Directors and their nomination for reappointment? (IV) Does the Company regularly evaluate the independence of the CPA?	✓ ✓ ✓ ✓		(I) The Company's policy for the election of board members is to achieve the following objectives through Director operations of diversity: 1. When discussing the operation and management of the Company, a wide range of opinions can be generated due to the different experience of members. 2. Continuously strengthen corporate governance and operation efficiency by diversified experience. Please refer to Table 1 below for individual Directors' implementation of diversity of board members. (II) The Company has set up the Remuneration Committee and Audit Committee. In the future, the Company will evaluate and set up other functional committees in the direction of corporate governance. (III) The Company has formulated the "Self-Evaluation and Peer Evaluation of Performance of the Board" and the assessment method, which have been disclosed on the Company's website. The Company conducts the evaluation of the performance of the Board of Directors once a year and reports the results to the Board of Directors. (IV) The Audit Committee of the Company regularly evaluates the independence and adequacy of the CPA once a year and submits to the board the conclusion of such evaluation. The independence of CPAs shall be evaluated by: 1. An independent declaration issued by the CPA. 2. Ensure that the CPA has no material financial interests or potential employment relationships with the Company and subsidiaries, which will affect his independence. 3. The same CPA has not continuously performed attesting services for more than seven years. The proposal on the evaluation of the independence of the CPA for this year was resolved by the Board of Directors on November 1, 2019.	No material difference

Assessed Items	Implementation Status			Difference from "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Description	
IV. Does the TWSE/TPEx listed company have a dedicated an eligible and appropriate number of personnel for corporate governance and appointed a Supervisor in charge of the Company' corporate governance affairs (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors to comply with laws and regulations, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholder meetings)?	✓		The finance and accounting Supervisor of the Company is concurrently the corporate governance Supervisor, who has more than 10 years' management experience in accounting, finance, stock affairs or proceedings in a public company. And the finance and accounting department is jointly responsible for corporate governance related affairs, with the main responsibilities of providing information required for Director's operations and latest legal developments relating to operating companies, to assist Directors to comply with laws and regulations, including company registration, shareholders' meeting/board of Directors/Audit Committee, amendment of corporate governance related codes, updating of corporate governance related laws and regulations, and regular arrangement of refresher course of compliance with corporate governance related laws and regulations for Directors.	No material difference
V. Has the Company established communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, customers and suppliers) on its website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	✓		(I) Stakeholders can communicate with the Company through our spokesperson and acting spokesperson. The Company's website also provides session for stakeholders, with e-mail address and contact telephone number available for stakeholders. (II) The Company's website provides a technical support service mailbox with a designated person responsible for handling the application issues of the product. (III) The Company's website has also disclosed the contact information of the shareholder services agent and CPA, providing investors with contact information.	No material difference
VI. Has the Company appointed a professional stock affairs agency for shareholders affairs?	✓		The Company has appointed the Share Agency Department of Taishin International Bank for the agent of shareholders' meeting affairs.	No material difference

Assessed Items	Implementation Status			Difference from "Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Description	
VII. Information Disclosure (I) Does the Company set up the website to disclose financial operations and corporate governance information? (II) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesperson system, the legal entities announcements uploaded to website, etc.) to disclose information? (III) Does the Company announce and declare its annual financial reports within two months after the end of the fiscal year, and announce and declare the financial reports for the first, second and third quarter and the operation situation of each month earlier than the prescribed period?	✓ ✓ ✓		(I) The Company has set up a website to disclose information related to the Company, and related information on the Company's financial business and corporate governance are also available on the MOPS. (II) (The Company website provides information in both Chinese and English. The Company has appointed a spokesperson and an acting spokesperson. The Company's operational information and investor conference briefing are disclosed on the Company's website. In accordance with the regulations of the competent authority, the Company has fulfilled its responsibilities and obligations for information disclosure. (III) The Company did not announce and declare its annual financial reports within two months after the end of the fiscal year. However, it has announced and declared the quarterly financial report in advance within the prescribed period, as well as the operating status of each month.	No material difference
VIII. Does the Company have any other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of Directors and Supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's Directors and Supervisors)?	✓		(I) Employee rights and interests, employee care: please refer to the statement of "V. Labor Management Relations of Chapter V. Operations Overview" in this annual report. (II) Investor relations: the Company has designated personnel to timely announce relevant financial, business information, shareholding changes of insiders and other information at the MOPS, expecting to achieve information disclosure and transparency. (III) Supplier relationship: The Company has established supplier management procedures, and only those who pass the audit can become the cooperative partner of the Company. And the Company regularly evaluates the quality, delivery time, price and cooperation condition of major raw material suppliers to ensure that the suppliers can provide products of stable quality to the Company. (IV) Rights of stakeholders: for stakeholders, the Company's website provides a session for stakeholders as the communication channels to safeguard the rights and interests of both parties.	No material difference

			(V) Advanced studies of Directors and Supervisors: the Company has disclosed the situation of the advanced studies of Directors and Supervisors on the MOPS- Summary Table of Directors and Supervisors' Attendance on the Board of Directors and Situation of Their Advanced Studies. (VI) Implementation of risk management policies and risk measurement standards: please refer to the description of "Chapter VII. Review, Analysis, and Risks of Financial Conditions and Performance" (VII) Implementation of customer policy: the Company always keeps close contact with customers, devotes itself to providing the best products for customers, and emphasizes on differentiation and value creation. (VIII) The Company buys liability insurance for Directors and major Managers every year, evaluate the insurance limit regularly every year and report to the Board of Directors on the renewal of liability insurance for Directors.	
IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved (not applicable where a company is not included as be evaluated): Not applicable.				

Table 1: Implementation of Diversity of Board Members by Individual Directors

Core Projects of Diversify Name of Director	Gender	Operational Judgments	Accounting and Financial Analysis	Operation Management	Crisis Management	Knowledge of the Industry	International Market Perspective	Leadership Skills	Ability to Make Policy Decisions
Chairman Vincent Mao	Male	√		√	√	√	√	√	√
Director Wen-Bin Lin	Male	√		√	√	√	√	√	√
Director I-Hsi Cheng	Male	√		√	√	√	√	√	√
Director Silicon Power Computer & Communications Inc.	Male	√		√	√	√	√	√	√
Representative: Hui-Ming Chen		√		√	√	√	√	√	√
Director Sheng-Su Lee	Male	√		√	√	√	√	√	√
Director Yan-Chiang Fan	Male	√		√	√	√	√		√
Independent Director Cheng-Chieh Dai	Male	√		√	√	√	√	√	√
Independent Director Chieh-Sheng Hsiao	Male	√		√	√	√	√	√	√
Independent Director Yu-Nu Lin	Female	√	√	√	√	√	√	√	√

(IV) Where a remuneration committee is established, the Company shall disclose its composition, duties, and operation status

1. Information on Members of the Remuneration Committee

Title (Note 1)	Condition / Name	Has more than five years of work experience and the following professional qualifications			Independent status (Note 2)										Concurrent compensation committee position in other publicly listed companies	Remarks
		Lecturer or above in business, legal, finance, accounting or corporate business related to public or private universities	Judges, prosecutors, lawyers, CPA or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the Company	Work experience in business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Cheng-Chieh Dai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chieh-Sheng Hsiao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yu-Nu Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in the "Title" column with Director, Independent Director or otherwise.

Note 2: For any members who fulfill the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, tick [√] the box next to the corresponding conditions.

(1) Neither an employee of the Company nor its affiliates.

(2) Neither a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (1) and (2).

(5) Neither a Director, Supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified

company or institution that has a financial or business relationship with the Company.

(6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(7) If the Chairperson, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(8) Neither a Director, Supervisor, Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.

(9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Any of the matters under Article 30 of the Company Act.

2. Information on Operation Status of the Remuneration Committee
   I. There are three members in the Company's Remuneration Committee.
   II. Current Term: From June 27, 2018 to June 26, 2021. The Remuneration Committee held five meetings (A) in the recent year, the qualifications and attendance of the committee members are shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Actual Presence (%) (B/A)	Remarks
Convener	Cheng-Chieh Dai	5	-	100%	None
Member	Chieh-Sheng Hsiao	5	-	100%	None
Member	Yu-Nu Lin	5	-	100%	None

Other matters that shall be reported:
1. If the Board of Directors does not adopt or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Audit Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated): None.
2. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated:

Item	Matters for discussion	Resolution Results	Handling of Members' Opinions by the Company
02/25/2019 The Third of the Fourth Session	Proposal on the Distribution of the Remuneration to Employees and Directors for the Year 2018	Except for the members who did not participate in the discussion and vote because of conflicts of interest, the proposal was passed with consent of the rest attending members.	None
03/29/2019 The Fourth of the Fourth Session	Compensation Adjustment Plan of Managers of the Company.	Passed by all attending members of the Remuneration committee.	None
	The Remuneration Committee organized the amendment to procedures.	Passed by all attending members of the Remuneration committee.	None
05/29/2019 The Fifth of the Fourth Session	Discussion on the First Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year of the Company.	Passed by all attending members of the Remuneration committee.	None
10/04/2019 The Sixth of the Fourth Session	The Second Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year Reviewed by the Remuneration Committee of the Company.	Passed by all attending members of the Remuneration committee.	None
12/20/2019 The Seventh of the Fourth Session	Discussion on the Company's Distribution Plan of Managers Operation and Project Bonus for the Year 2019.	Passed by all attending members of the Remuneration committee.	None

(V) The state of the Company's performance of social responsibilities, any variance from the corporate social responsibility best practice principles for TWSE/TPEX listed companies, and the reason for any such variances:

Assessed Items	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
I. Does the Company conduct risk evaluation on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The organization chart of the Company's risk management shall be the responsibility of the relevant management unit according to the nature of the business, and the CEO Office shall identify the existing or potential risks in each operation and supervise each management unit to propose preventive and improvement measures.	No material difference
II. Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level Managers to handle and report to the Board of Directors?	✓		The Company's Human Resources and Administration Department is also in charge of enforcing the corporate social responsibility unit, and reporting on the same to the Board of Directors on a periodic basis every year.	No material difference
III. Environmental matters (I) Does the Company establish proper environment management systems based on the characteristics of its industries? (II) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment? (III) Does the Company evaluate the present and future potential risks and opportunities of climate change to the Company, and taken measures to respond to climate-related issues? (IV) Does the Company calculate greenhouse gas emissions, water consumption and total waste weight over the past two years, and formulate policies for energy conservation and carbon emissions reduction, greenhouse gas emissions reduction, water consumption reduction or other waste management?	✓ ✓ ✓ ✓		(I) The Company is an IC design company without any production line, but outsourced production. It is committed to implementing policies of energy saving and carbon emissions reduction, carrying out resource recovery and classification, keeping an eye on and adjusting the opening hours of air-conditioning and lighting in workplaces and offices, and continuously reducing electricity consumption to achieve energy saving and carbon emissions reduction. The Company is dedicated to the production, research and development, manufacturing, production and sales of green products, which are complied with domestic environmental protection laws and regulations, as well as the EU regulations and other relevant international standards, such as RoHS/Restriction of Hazardous Substances Directive on Packaging Materials, and REACH. (II) The Company cooperates with the government's policies to carry out the classification, recycling and reduction of various wastes, and introduces electronic operations in daily operations to reduce paper waste. (III) The Company has continued to promote the concept of energy saving to employees, and reminded employees to turn off the unused power supply, and set the air conditioner at a reasonable temperature, as well as gradually replace the Energy-Saving Lamps, in order to achieve the goal of energy saving and carbon emissions reduction. (IV) Since greenhouse gas emissions have seriously affected the global climate, the Company has conducted a comprehensive inventory and record analysis on the electricity sector, the largest source of greenhouse gas emissions in the operation. The carbon dioxide emissions of the Company has been reduced from 1,004 tons in the year 2018 to 963 tons in the year 2019. For the main air conditioning equipment with the largest electricity consumption, the Company adjusts the water outlet temperature of ice water and timely operate in parallel to raise the temperature of indoor cooling room to reduce the electricity consumption of air conditioning, thus reducing the greenhouse gas emissions. As for the use of water resources, the Company has increased installation of water saving devices in toilets and washbasins to control and reduce water consumption. In addition, the Company has established environmental control procedures, carry out clearance or resource recovery for general waste and waste generated by business activities.	No material difference
IV. Social matters (I) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights? (II) Does the Company establish and implement reasonable employee benefits measures (including remuneration, leave and other benefits, etc.) and reflect the corporate business performance or achievements appropriately in the employee remuneration? (III) Does the Company provide a safe and healthful work environment for its employees and organize training on safety and health for employees on a regular basis?	✓ ✓ ✓		(I) The Company recognizes and supports internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights", "The United Nations Global Compact", and the "ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work". To fulfill corporate social responsibility and implement human rights protection, the Company hereby formulates the human rights policies applicable to the Company, and treat and respect all colleagues with a fair and equitable attitude, prevents any violation of human rights, providing a reasonable and safe workplace and reasonable and dignified treatment for the Company's current colleagues. (II) The Company abides by the relevant labor laws and regulations, has enacted the employee handbook, implements the reasonable employee welfare measures which are disclosed on the Company website, adjusts the salary range and pays the employee bonus and performance bonus on a yearly basis according to the Company's profit status. (III) The Company's office is equipped with a rest area for employees, a reading area for books and newspapers, a nursing room, etc., and provides a good working environment for employees. ● In order to maintain the safety of employees, the Company has a security system with the access to the building elevators and company doors requiring swiping for access, and the first floor of the office building has security management. ● The Company cooperates with the building management unit to perform fire drills once a year to improve the resilience of disasters, and assigns employees to participate in fire training each year. ● The Company implements employee health checks each year and subsidizes gym fees for employees. ● In addition to the legally guaranteed employee rights, the Company also provides other benefits to employees,	No material difference

<table>
<tr><th rowspan="2">Assessed Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>(IV) Does the Company establish effective career development training programs for its employees?

(V) Is the Company in compliance with relevant laws and regulations as well as international standards when it comes to customer health and safety, customer privacy, marketing and labeling of products and services, and make relevant policies and appeal procedures on the protection of consumer rights and interests?

(VI) Does the Company has established a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety and health, or labor and human rights? And the implementation status.</td><td>✓

✓

✓</td><td></td><td>such as group medical care, as well as provides a comfortable and safe working environment for employees.
(IV) The Company attaches great importance to the training and development of talents and plans relevant management or other professional field courses according to work needs to provide training for employees. In addition to the basic professional internal training, the Company also provides subsidies for employees to have external training opportunities to achieve mutual learning and refined results by experience sharing and inheritance. The Company also provides patent bonuses to encourage employees to apply for patents, so as to motivate employees to break through and develop in the professional field.
<table>
<tr><td rowspan="6">Leadership Development Program</td><td>Management Level</td><td>Advanced Leadership Development</td><td>Advanced Management Capacity</td><td>Advanced Professional Career Development</td><td>Chief Engineer</td><td rowspan="6">Professional Competency Development Program</td></tr>
<tr><td>Senior Management</td><td>Advanced Leadership</td><td>Personal Effectiveness</td><td>Advanced Skill Development</td><td>Senior Engineer (Manager)</td></tr>
<tr><td></td><td></td><td>Quality Management</td><td></td><td></td></tr>
<tr><td>Department Supervisors</td><td>Basic Managerial Ability</td><td>Patent Course</td><td>Professional Engineering Skill</td><td>Engineer (Manager)</td></tr>
<tr><td></td><td></td><td>General Course</td><td></td><td></td></tr>
<tr><td colspan="5">New Staff Development Program</td></tr>
</table>
(V) The Company is an IC design company, with the main target customer of agents and module manufacturers. The Company has established procedures for customer complaints and set up a FAE technical service email on the Company's website with a dedicated person to handle customer's complaints.

(VI) The Company has enacted Measures for Supplier Management, built a green supply chain management in accordance with the requirements of RoHS Directive. Suppliers shall be passed the ISO9001 and ISO14001 evaluation, and their products shall meet the requirements of the EU Restriction of Hazardous Substances Directive (RoHS), as well as REACHSVHC, conflict minerals and Sitronix's requirements of environmental restricted substances.</td><td>No material difference</td></tr>
<tr><td>V. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial information of the Company? Whether assurance or guarantee opinions have been obtained for the aforementioned reports by a third party certification unit?</td><td></td><td>✓</td><td>The Company has not yet prepared the corporate social responsibility report and will prepare in the future based on the actual needs.</td><td>No material difference</td></tr>
<tr><td colspan="5">VI. If the Company makes its own corporate social responsibilities principles according to the "Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please state the differences:
The Company has enacted the corporate social responsibilities principles, which is consistent with the spirit and principles of the "Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies".</td></tr>
<tr><td colspan="5">VII. Other important information that helps understand the operation situation in terms of the corporate social responsibilities:
1. The Company cooperates with the requirements of the RoHS Directives to establish a green supply chain management, and requires suppliers and outsourcers to supply the products, materials and packaging materials used by the Company that are in compliance with relevant regulations.
2. The Company makes non-scheduled donations to charitable organizations and educational academic units. The Company held a Christmas charity pledging event in December 2019, and the colleagues volunteered to give Christmas gifts to the children of Hsinchu City's Good Shepherd, Francis Children's Center, Hsinchu City's Good Shepherd Social Welfare Foundation, Haosheng Preschool in Jhudong Township, and Taipei City's Chungyi Preschool.
To sum up, the Company combines the core technical capabilities of its partners to help customers create new products, as well as grasps the market opportunities, applies it specifically in human life, allowing everyone to enjoy the fun of technology in this digital world. While striving for the growth of business performance, the Company is also fulfilling its social responsibilities step by step, hoping to do its part and be able to give back to the society.</td></tr>
</table>

(VI) The state of the Company's performance in the area of ethical corporate management, any variance from the ethical corporate management best practice principles for TWSE/TPEX listed companies, and the reason for any such variance

Assessed Items	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
I. Adopting ethical corporate management policy and programs (I) Has the Company formulated its ethical management policy approved by the Board of Directors, clarified it in its regulations and external documents and the commitment of board of Directors and senior Managers to active implementation? (II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the behaviors as stipulated in item 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the Company in the prevention programs for unethical conduct clearly prescribed the operation procedures, conduct guidelines and disciplinary and appeal system for violations of the ethical corporate management rules and implemented them, and conducted review and amendment on the aforementioned programs on a regular basis?	✓ ✓ ✓		(I) The Company has enacted the "Ethical Corporate Management Best Practice Principles," which requires Directors, Managers and employees to follow the principle of ethical management, and all commercial interactions should abide by the ethical standard so as to establish a good corporate governance and risk control mechanism. The Company's annual reports and the Company's website also disclose the implementation of the ethical management policy by the Board of Directors and management, which is reported to the Board of Directors on a regular basis every year. (II) The Company has enacted the "Ethical Corporate Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to regulate the business activities with high risk of unethical conducts within the business scope and strengthen relevant preventive measures. Relevant contents are posted on the Company's website for stakeholders to refer to and download. (III) The Company has enacted the "Ethical Corporate Management Best Practice Principles", which provides for ethical integrity, prevention of conflict of interest and confidentiality. The Company has set out the reward and punishment rules in the employee handbook, expressly stipulating that the employee shall not engage in any fraud, malpractice or conduct that may damage the reputation of the Company.	No material difference
II. Implementation of ethical corporate management (I) Does the Company evaluate the ethical record of its business partners and set ethical conduct policies in the terms and conditions of its contracts with the clients? (II) Has the Company set up exclusively dedicated units supervised by the Board of Directors to be in charge of ethical corporate management which report its ethical management policy, prevention programs for unethical conduct, and the supervision and implementation state to the Board of Directors? (III) Does the Company work out policies to prevent conflicts of interest, provide proper statement channels and implement? (IV) Has the Company established an effective accounting system, internal control system to put ethical corporate management into practice. The internal auditors shall draw up the relevant audit plan to audit the compliance of the prevention programs for unethical conduct according to the risk valuation results of the unethical conduct, or audited by CPAs? (V) Does the Company organize internal or external trainings on the ethical corporate management regularly?	✓ ✓ ✓ ✓ ✓		(I) The Company's business activities are in accordance with the internal control and various management measures, and it has set up supplier management procedures to evaluate suppliers on a regular basis and will conduct replacement of suppliers with any bad record. (II) The Company's Human Resources and Administration Department is responsible for promoting the ethical corporate management, and reporting the ethical corporate management policy, prevention programs for unethical conduct, and the supervision and implementation state to the Board of Directors. (III) The Company's Rules of Procedure for Board Meetings expressly provides that if a Director or a juristic person represented by the Director is an interested party with respect to any proposal for a board meeting, and when the relationship is likely to prejudice the interests of the Company, the Director may not participate in discussion or voting on that proposal and also may not act as another Director's proxy to exercise voting rights on that matter. Any related party transactions shall be subject to the management measures of related transactions. (IV) The Company has set up an effective accounting system and internal control system in accordance with the relevant laws and regulations. Internal auditors have performed audits in accordance with the audit plan, reported to the Board of Directors on a quarterly basis, and submitted the reports to the Independent Directors for signing before the end of the following month of the Audit Report. (V) The Company arranges courses related to ethical management (including courses of ethical corporate management best practice principles, code of ethics, etc.) during the education and training for new employees, so as to promote the Company's concept and practice of ethical management.	No material difference
III. Operation of the Company's Whistle-blowing System (I) Has the Company set specific whistle-blowing and reward system to facilitate the whistle-blowing channel and assign appropriate specialist accepting to spot the whistle-blowing object? (II) Has the Company set the standard operating procedures, follow-up measures shall be adopted depending on the severity of the circumstances after investigations of cases reported are completed and relevant confidentiality mechanism to investigate reported misconducts? (III) Has the Company taken measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistleblowing?	✓ ✓ ✓		(I) The Company has also set up the "Regulations for the Whistle-blowing of Fraudulent Conduct" and "Measures for Employees' Complaints". Employees may follow the measures to file a whistleblowing or complaint, which will be accepted by the responsible personnel. (II) The Company has set up the "Regulations for the Whistle-blowing of Fraudulent Conduct", which clearly stipulates the standard operating procedures and related confidentiality mechanisms. (III) The Company protects whistle-blowers from inappropriate disciplinary actions due to their whistleblowing.	No material difference

Assessed Items	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
IV. Strengthening information disclosure (I) Does the Company disclose the information of implementation and results of ethical management on its website and the MOPS?	✓		The Company has established its ethical corporate management best practice principles and disclosed it on its website.	No material difference
V. If the Company develops its own ethical management rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference.				
VI. Other important information for better understanding of the ethical management : (such as review and amendment of the regulations on ethical management) The Company's business philosophy attributes ethic as an important part and lets the Board of Directors announce to the team of Managers, as well as inculcates this concept to the customers, employees, suppliers and shareholders. For customers and suppliers, the Company has negotiated with them the delivery and quality of each product in a fair and reasonable manner. For shareholders, the Company provides the information of the Company in a timely manner according to the regulations of the competent authorities. As for the employees, the Company has also communicated the importance of ethic and the Company's related regulations through performance appraisal and training, to inculcate in them an ethical and trustworthy behavior.				

(VII) If the Company has adopted corporate governance best-practice principles or related bylaws, the inquiry method shall be disclosed.

The sector "Investors" on the Company's website provides a "Corporate Governance" section for investors to inquire and download the relevant rules and regulations of corporate governance.

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance shall also be disclosed:

1. The Company continues to strengthen the operation of corporate governance. The website of the Company provides investors with relevant rules and regulations on corporate governance and important resolutions of the Board of Directors for their reference.
2. In order to continuously enrich the corporate governance information, the Company has taken the initiative to inform the Company's Directors of the relevant education information, and all the nine Directors have met the requirements of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies".
3. The information on the Company’s website (www.sitronix.com.tw) is collected and maintained by designated personnel and is regularly disclosed and updated to provide investors with access to financial and business information.

(IX) Implementation of the internal control system

1. Statement of Internal Control System

Sitronix Technology Corp
Statement of Internal Control System

Date: March 13, 2020

Based on the findings of a self-assessment,the following statement is made with regard to the Company's internal control systems during the 2019 fiscal year:

I. Sitronix has established an adequate internal control system. Sitronix's Board of Directors and Managers are responsible for establishing, implementing, and maintaining the internal control systems. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable laws, regulations and bylaws.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the preceding three objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to the changing environment or circumstances that are beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we will take immediate remedial actions in response to any identified deficiencies.

III. Sitronix evaluates the design and operating effectiveness of its internal control systems based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter below, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control systems based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. For the preceding five constituent elements, please refer to the provisions for the aforesaid "Regulations".

IV. Sitronix has evaluated the design and operating effectiveness of its internal control system according to the aforesaid "Regulations".

V. Based on the findings of such evaluation, Sitronix believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws.

VI. This Statement is the essential content of Sitronix's annual report and prospectus, and will be made public. Any misrepresentation and omission, or other illegality in the content publicly disclosed will entail a legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was passed by the Board of Directors in their meeting held on March 13, 2020, with none of the night attending directors(including one proxy) expressing dissenting opinions, and the rest all agreed the content of this Statement.

Sitronix Technology Corp

Chairman: Vincent Mao

General Manager: Wei Wang

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

(XI) Material resolutions of a shareholders meeting or a board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Major resolutions of the Board of Shareholders and state of implementation

Major resolutions of the Regular Shareholders' Meeting	Implementation State
1. 2018 Profit Distribution Proposal.	By the resolution of the shareholders' meeting, the cash dividend of NT$ 5 per share was distributed to the shareholders, with the total amount of NT$ 601,112,905. The date of cash dividend payment: August 2, 2019
2. 2018 Business Reports and Financial Statements.	After being recognized by the shareholders' meeting, it has been announced to the public information observatory as required.
3. Amendment to the Articles of Incorporation.	Upon approval by the regular shareholders' meeting, the new amended provisions shall apply.
4. Amendment to the Company's "Handling Procedures for the Acquisition and Disposal of Assets" and "Handling Procedure to Engage in the Transaction of Derivative Products".	Upon approval by the regular shareholders' meeting, the new amended provisions shall apply.
5. Amendment to the "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees".	Upon approval by the regular shareholders' meeting, the new amended provisions shall apply.

2. Major Resolutions of the Board of Directors

Date of Meeting	Major Resolutions	Matters specified in Article 14-3 of the Securities and Exchange Act
03/15/2019 The Fourth of the Ninth Session	1. Passed the Distribution Plan of Operation and Project Bonus for Managers for the 2018 Fiscal Year Reviewed by the Remuneration Committee of the Company.	✓
	2. Passed the Distribution Plan of the Remuneration to Employees and Directors for the Year 2018.	✓
	3. Passed the Statement of Internal Control System for the Year 2018.	✓
	4. Passed the proposal on the 2018 Financial Statements and Business Report.	
	5. Passed the proposal on the 2018 Earning Distribution Plan.	
	6. Passed the Amendment to the Articles of Incorporation.	
	7.	✓
	8. Passed the proposal on the amendment to partial provisions of "Information Cycle" of the Company's internal control system.	✓
	9. Passed the establishment of the Company's "Standard Operating Procedures for the Handling of Directors' Requests".	
	10. Passed the Company's 2019 Operating Plan.	
	11. Passed the convening of the Company's regular shareholders' meeting in the year 2019 and related matters.	

Date of Meeting	Major Resolutions	Matters specified in Article 14-3 of the Securities and Exchange Act
	12. Passed the proposal on the cancellation of the new restricted employee shares and reduce the capital of the Company.	✓
	13. Passed the proposal on the ratification of endorsement and guarantee for the subsidiary (Sync-Tech System Corp.) to apply for the bank loan quota.	✓
	14. Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.).	
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present.	
05/03/2019 The Fifth of the Ninth Session	1. Passed the Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee of the Company.	✓
	2. Passed the Amendment to the "Rules of Organization of Remuneration Committee".	
	3. Passed the proposal on the "Operational Procedures for Endorsements/Guarantees" and "Operational Procedures for Loaning Funds to Others".	✓
	4. Passed the proposal on the increase of the amount of endorsement and guarantee for the subsidiary (HeFeiSitronix Co., Ltd).	✓
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None.	
	Resolution outcome: approved by all the Directors present.	
08/02/2019 The Sixth of the Ninth Session	1. Passed the First Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year Reviewed by the Remuneration Committee of the Company.	✓
	2. Passed the proposal on the acquisition of equity in the Subsidiary (Forcelead Technology Corp.).	✓
	3. Passed the proposal on loaning funds to the subsidiary (Sync-Tech System Corp.).	✓
	4. Passed the proposal on loaning funds to the subsidiary (Infinno TechnologyCorp.).	✓
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present.	
11/01/2019 The Seventh of the Ninth Session	1. Passed the proposal on the Adjustment of the amount of endorsements and guarantees for subsidiaries.	✓
	2. Passed the Second Distribution Plan of Remuneration for Managers in Cash for the 2018 Fiscal Year Reviewed by the Remuneration Committee of the Company.	✓
	3. Passed the proposal on the Internal Audit Plan for the year 2020.	
	4. Passed the proposal on the evaluation of the independence of the CPA.	✓
	5. Passed the proposal on the review of the CPA’s professional fees.	✓
	6. Passed the proposal on the cancellation of the new restricted employee shares and reduce the capital of the Company.	✓
	7. Passed the proposal on loaning funds to the subsidiary (Forcelead Technology Corp.).	✓
	8. Passed the proposal on loaning funds to the subsidiary (mCore	✓

Date of Meeting	Major Resolutions	Matters specified in Article 14-3 of the Securities and Exchange Act
	TechnologyCorp.).	
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present.	
03/13/2020 The Eighth of the Ninth Session	1. Passed the Distribution Plan of Operation and Project Bonus for Managers for the 2019 Fiscal Year Reviewed by the Remuneration Committee of the Company.	✓
	2. Passed the Distribution Plan of the Remuneration to Employees and Directors for the Year 2019.	✓
	3. Passed the Statement of Internal Control System for the Year 2019.	✓
	4. Passed the proposal on the 2019 Financial Statements and Business Report.	
	5. Passed the proposal on the 2019 Earning Distribution Plan.	
	6. Passed the proposal on the "Self-Evaluation and Peer Evaluation of Performance of the Board".	✓
	7. Passed the establishment of the Company's "Rules of Procedure for Shareholders' Meetings".	✓
	8. Passed the establishment of the Company's "Ethical Corporate Management Best Practice Principles".	
	9. Passed the establishment of Company's "Corporate Governance Best-Practice Principles".	✓
	10. Passed the proposed company's 2020 Operating Plan.	✓
	11. Passed the convening of the Company's regular shareholders' meeting in the year 2020 and related matters.	
	12. Passed the proposal on the acquisition of the Company's right to use assets by the subsidiary (Sync-Tech System Corp.).	✓
	13. Passed the proposal on the setting of a corporate governance Supervisor of the Company.	
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present.	
05/06/2020 The Ninth of the Ninth Session	1. Passed the Compensation Adjustment Plan of Managers Reviewed by the Remuneration Committee of the Company.	✓
	2. Passed the proposal on the " Corporate Social Responsibility Best Practice Principles ".	✓
	3. Passed the supplement convening of the Company's regular shareholders' meeting in the year 2020 and related matters.	
	4. Passed the proposal on the Disposal of Right-of-use Asset.	✓
	All Independent Directors' opinions: None. The Company's actions in response to the opinions all Independent Directors' opinions: None. Resolution outcome: approved by all the Directors present.	

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.

V Information on CPA Professional Fees

Name of Accounting Firm	Name of the CPA		Audit Period	Remarks
Deloitte & Touche Taipei, Taiwan Republic of China	Cheng-Chih Lin	Yu-Feng Huang	2019.01.01～2019.12.31	-

Monetary unit: NT$ thousand

	Audit Fee Items / Range of the Amount	Audit Fee	Non-audit Fee	Total
1	Less than NT$ 2,000,000		V	
2	NT$ 2,000,000 (inclusive) ~ NT$ 4,000,000	V		
3	NT$ 4,000,000 (inclusive) ~ NT$ 6,000,000			V
4	NT$ 6,000,000 (inclusive) ~ NT$ 8,000,000			
5	NT$ 8,000,000 (inclusive) ~ NT$ 10,000,000			
6	NT$ 10,000,000 above (inclusive)			

(I) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Monetary unit: NT$ thousand

<table>
<tr><th rowspan="2">Name of Accounting Firm</th><th rowspan="2">Name of the CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-audit Fee</th><th rowspan="2">Audit Period</th><th rowspan="2">Remarks</th></tr>
<tr><th>System Design</th><th>Commercial Registration</th><th>Human Resources</th><th>Others</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Deloitte & Touche Taipei, Taiwan Republic of China</td><td>Cheng-Chih Lin</td><td rowspan="2">$3,750</td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2">$730</td><td rowspan="2">$730</td><td rowspan="2">2019.01.01 ~ 2019.12.31</td><td rowspan="2">Non-Audit Fees including TransferPricing Report and Tax Consultation</td></tr>
<tr><td>Yu-Feng Huang</td></tr>
</table>

(II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.

VI Information on Replacement of CPA

The Company has no replacement of the CPA during the most recent 2 fiscal year.

VII The State of the Company's Chairperson, General Manager, or any Manager in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm

The company's Chairperson, General Manager, or any Manager in charge of finance or accounting matters has not held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm in the most recent year

VIII The Status of any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Manager, or Shareholder With a Stake of More Than 10 Percent during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

(I) The Status of any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Manager, or Shareholder With a Stake of More Than 10 Percent

Unit: Share

Title	Name	2019		The Current Fiscal Year up to April 26, 2020	
		Increase/Decrease of Shareholding	Increase/Decrease of Pledged Shares	Increase/Decrease of Shareholding	Increase/Decrease of Pledged Shares
Chairman & CEO	Vincent Mao	46,980	—	—	—
Director	Wen-Bin Lin	—	—	—	—
Director & CRO	I-Hsi Cheng	29,362	—	—	—
Director	Silicon Power Computer & Communications Inc.	—	—	150,000	—
	Representative: Hui-Ming Chen	—	—	—	—
Director	Sheng-Su Lee	—	—	—	—
Director	Yan-Chiang Fan	—	—	18,000	—
Independent Director	Cheng-Chieh Dai	—	—	—	—
Independent Director	Chieh-Sheng Hsiao	(23,000)	—	(39,000)	—
Independent Director	Yu-Nu Lin	—	—	—	—
General Manager	Wei Wang	(190,148)	—	—	—
CRO	Chun-Sheng Lin	(56,275)	—	—	—
Assistant General Manager	Meng-Huang Liu	362	—	—	—
Supervisor of Finance/Accounting Division	Xu-Fang Hsu	14,094	—	—	—

(II) Information on Equity Transfer (Where the counterparty is a related party)
No transfer of or change in equity interests incurred to the counterparty that is a related party by a Director, Supervisor, Manager, or Shareholder with a stake of more than 10 percent of the Company.

(III) Information on Pledge of or Change in Equity (Where the counterparty is a related party)
No pledge or change in equity interests incurred to the counterparty that is a related party by a Director, Supervisor, Manager, or Shareholder with a stake of more than 10 percent of the Company.

IX Information about the Domestic Relation Among the Shareholders Whose Shareholding Ratio is Within the Top Ten, Whether They are Related Persons or Their Spouses or Second Cousins

April 26, 2020
Unit: Share; %

NAME	SHAREHOLDING		SHAREHOLDING BY SPOUSE AND MINOR CHILDREN		TOTAL SHAREHOLDING THROUGH NOMINEES		TOP 10 SHAREHOLDERS WHERE THEY ARE RELATED PARTIES OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title (or Name)	Relationship	
ING Life Insurance Company Limited-PAR	6,211,000	5.17%	—	—	—	—	—	—	—
New labor pension fund	5,944,000	4.95%	—	—	—	—	—	—	—
Gu Ming Investment Corp	3,358,339	2.80%	—	—	—	—	—	—	—
Silicon Power Computer & Communications Inc.	3,150,000	2.62%	—	—	—	—	—	—	—
Cathay Life Insurance Company Limited	2,911,000	2.42%	—	—	—	—	—	—	—
Labor Pension Fund Supervisory Committee-Labor Retirement Fund	2,852,000	2.37%	—	—	—	—	—	—	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	2,807,066	2.34%	—	—	—	—	—	—	—
Wen Bin Lin	2,200,000	1.83%	1,100,000	0.92%	—	—	—	—	—
Quant Foreign Value Small Cap Fund	1,999,100	1.66%	—	—	—	—	—	—	—
TRANSGLOBE LIFE INSURANCE INC.	1,964,000	1.63%	—	—	—	—	—	—	—

X The Number of Shares Held by the Company, by the Directors, Supervisors and Managers of the Company, and by any Entities either Directly or Indirectly Controlled by the Company in the Same Investee Enterprise, and the Calculation of the Consolidated Shareholding Ratio of the above Categories

December 31, 2019

Unit: Share; %

Investments in Other Enterprises (Note)	Investment by the Company		Investment by Directors, Supervisors, Managers, Direct or Indirect Control Groups		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Sitronix Technology (Belize) Corp.	2,000,000	100%	-	-	2,000,000	100%
Sitronix Technology (Mauritius) Corp.	2,000,000	100%	-	-	2,000,000	100%
Sitronix Holding International Ltd.	2,000,000	100%	-	-	2,000,000	100%
Sitronix Technology (Shenzhen) Co., Ltd.	Capital contribution: USD 400,000	100%	-	-	Capital contribution: USD 400,000	100%
HeFei ezGreen Co., Ltd.	Capital contribution: RMB 2,000,000	100%	-	-	Capital contribution: RMB 2,000,000	100%
HeFei Sitronix Co., Ltd.	Capital contribution: RMB 22,500,000	90%	-	-	Capital contribution: RMB 22,500,000	90%
mCore Technology Corp.	9,583,010	91%	-	-	9,583,010	91%
Infinno Technology Corp.	13,289,616	64%	382,619	2%	13,672,235	66%
Sensortek Technology Corp.	19,056,110	50%	3,998,249	11%	23,054,359	61%
Forcelead Technology Corp.	32,987,240	84%	3,352,578	9%	36,339,818	93%
Sitronix Investment Corp.	32,977,204	100%	-	-	32,977,204	100%
Sync-Tech System Corp.	9,843,952	51%	1,689,539	9%	11,533,491	60%
ezGreen Inc.	3,000,000	100%	-	-	3,000,000	100%

Note: Long-term equity investment of the Company calculated according to the equity

Chapter 4 Capital and Shares

I Capital and Shares

(I) Source of Capital Stock

April 26, 2020

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Sources of Capital Stock (NT$ thousand)	Capital Increase by Assets Other than Cash	Others
1998/08	10	4,500	45,000	4,500	45,000	Capital increase 25,000 by cash	None	Jian Yi No. 87329500
1998/12	10	7,000	70,000	7,000	70,000	Capital increase 25,000 by cash	None	Jian Yi No. 88256462
1999/12	10	16,000	160,000	16,000	160,000	Capital increase 90,000 by cash	None	Jing (089) Shang No. 089101284
1999/12	10	18,000	180,000	18,000	180,000	Capital increase 20,000 by cash	None	Jing (089) Shang No. 089101157
2000/08	10	21,500	215,000	21,500	215,000	Capital increase 35,000 by cash	None	Jing (089) Shang No. 130952
2002/11	10	30,000	300,000	25,000	250,000	Capital increase 35,000 by cash	None	Jing-Shou-Shang No. 09101479070
2003/06	10	66,800	668,000	33,432	334,325	Capital increase 84,325 transferred from earnings, capital reserve and employee bonus	None	Jing-Shou-Jhong No. 0923228806
2004/07	10	66,800	668,000	46,668	466,680	Capital increase 132,355 transferred from earnings, capital reserve and employee bonus	None	Jing-Shou-Jhong No. 09332442630
2005/01	10	66,800	668,000	47,303	473,035	Employee stock option certificates converted to common stocks 6,355	None	Jing-Shou-Jhong No. 09431572610
2005/04	10	66,800	668,000	47,488	474,880	Employee stock option certificates converted to common stocks 1,845	None	Jing-Shou-Jhong No. 09431949940
2005/07	10	100,000	1,000,000	63,704	637,044	Capital increase 162,164 transferred from earnings, capital reserve and employee bonus	None	Jing-Shou-Shang No. 09401122960
2005/07	10	100,000	1,000,000	66,785	667,855	Employee stock option certificates converted to common stocks 1,255 Domestic convertible bonds converted to common stocks 29,556	None	Jing-Shou-Shang No. 09401145870
2005/10	10	100,000	1,000,000	68,513	685,135	Employee stock option certificates converted to common stocks 8,175 Domestic convertible bonds converted to common stocks 9,105	None	Jing-Shou-Shang No. 09401213050
2006/01	10	100,000	1,000,000	69,520	695,206	Employee stock option certificates converted to common stocks 1,545 Domestic convertible bonds converted to common stocks 8,526	None	Jing-Shou-Shang No. 09501006430

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Sources of Capital Stock (NT$ thousand)	Capital Increase by Assets Other than Cash	Others
2006/04	10	100,000	1,000,000	71,008	710,078	Employee stock option certificates converted to common stocks 4,680 Domestic convertible bonds converted to common stocks 10,193	None	Jing-Shou-Shang No. 09501069740
2006/07	10	100,000	1,000,000	71,232	712,318	Employee stock option certificates converted to common stocks 353 Domestic convertible bonds converted to common stocks 1,887	None	Jing-Shou-Shang No. 09501144330
2006/09	10	150,000	1,500,000	88,260	882,595	Capital increase 170,277 transferred from earnings, capital reserve and employee bonus	None	Jing-Shou-Shang No. 09501200340
2006/11	10	150,000	1,500,000	89,388	893,882	Employee stock option certificates converted to common stocks 7,638 Domestic convertible bonds converted to common stocks 3,649	None	Jing-Shou-Shang No. 09501254780
2007/01	10	150,000	1,500,000	90,451	904,508	Employee stock option certificates converted to common stocks 3,977 Domestic convertible bonds converted to common stocks 6,649	None	Jing-Shou-Shang No. 09601010850
2007/05	10	150,000	1,500,000	90,773	907,728	Employee stock option certificates converted to common stocks 3,220	None	Jing-Shou-Shang No. 09601106890
2007/09	10	150,000	1,500,000	103,764	1,037,639	Capital increase 128,523 transferred from earnings, capital reserve and employee bonus Employee stock option certificates converted to common stocks 1,388	None	Jing-Shou-Shang No. 09601224560
2007/12	10	150,000	1,500,000	107,635	1,076,351	Capital increase 35,000 by private placement Employee stock option certificates converted to common stocks 3,712	None	Jing-Shou-Shang No. 09601295620 Jing-Shou-Shang No. 09601307070
2008/04	10	150,000	1,500,000	107,641	1,076,414	Employee stock option certificates converted to common stocks 63	None	Jing-Shou-Shang No. 09701090630
2008/08	10	150,000	1,500,000	103,028	1,030,284	Employee stock option certificates converted to common stocks 3,870 Cancel treasury shares 50,000	None	Jing-Shou-Shang No. 09701192540 Jing-Shou-Shang No. 09701205760
2008/09	10	150,000	1,500,000	111,100	1,110,998	Capital increase 80,714 transferred from earnings, capital reserve and employee bonus	None	Jing-Shou-Shang No. 09701245290

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Number of Shares (NT$ thousand)	Amount (NT$ thousand)	Sources of Capital Stock (NT$ thousand)	Capital Increase by Assets Other than Cash	Others
2008/11	10	150,000	1,500,000	111,244	1,112,438	Employee stock option certificates converted to common stocks 1,440	None	Jing-Shou-Shang No. 09701300130
2009/04	10	150,000	1,500,000	111,336	1,113,365	Employee stock option certificates converted to common stocks 927	None	Jing-Shou-Shang No. 09801071590
2009/07	10	150,000	1,500,000	111,341	1,113,415	Employee stock option certificates converted to common stocks 50	None	Jing-Shou-Shang No. 09801132660
2009/09	10	150,000	1,500,000	115,258	1,152,581	Capital increase 39,028 transferred from earnings, capital reserve and employee bonus Employee stock option certificates converted to common stocks 138	None	Jing-Shou-Shang No. 09801211170
2009/12	10	150,000	1,500,000	115,316	1,153,161	Employee stock option certificates converted to common stocks 580	None	Jing-Shou-Shang No. 09801275030
2010/04	10	150,000	1,500,000	115,487	1,154,871	Employee stock option certificates converted to common stocks 1,710	None	Jing-Shou-Shang No. 09901079490
2010/06	10	150,000	1,500,000	115,524	1,155,241	Employee stock option certificates converted to common stocks 370	None	Jing-Shou-Shang No. 09901132430
2010/09	10	150,000	1,500,000	117,835	1,178,346	Capital increase 23,105 transferred from earnings and capital reserve	None	Jing-Shou-Shang No. 09901200640
2010/12	10	150,000	1,500,000	117,889	1,178,886	Employee stock option certificates converted to common stocks 540	None	Jing-Shou-Shang No. 09901268170
2011/4	10	150,000	1,500,000	118,062	1,180,616	Employee stock option certificates converted to common stocks 1,730	None	Jing-Shou-Shang No. 10001067760
2011/5	10	150,000	1,500,000	118,148	1,181,476	Employee stock option certificates converted to common stocks 860	None	Jing-Shou-Shang No. 10001105470
2013/10	10	150,000	1,500,000	119,148	1,191,476	New restricted employee shares 10,000	None	Jing-Shou-Shang No. 10201211420
2014/08	10	150,000	1,500,000	119,118	1,191,176	Cancel new restricted employee shares 300	None	Jing-Shou-Shang No. 10301179340
2014/12	10	150,000	1,500,000	119,138	1,191,376	Employee stock option certificates converted to common stocks 200	None	Jing-Shou-Shang No. 10301248020
2016/08	10	150,000	1,500,000	120,638	1,206,376	New restricted employee shares 15,000	None	Jing-Shou-Shang No. 10501208560
2017/11	10	150,000	1,500,000	120,518	1,205,176	Cancel new restricted employee shares 1,200	None	Jing-Shou-Shang No. 10601149850
2018/04	10	150,000	1,500,000	120,503	1,205,026	Cancel new restricted employee shares 150	None	Jing-Shou-Shang No. 10701037000
2018/11	10	150,000	1,500,000	120,227	1,202,273	Cancel new restricted employee shares 2,753	None	Jing-Shou-Shang No. 10701148560
2019/04	10	150,000	1,500,000	120,223	1,202,226	Cancel new restricted employee shares 47.5	None	Jing-Shou-Shang No. 10801040290
2019/11	10	150,000	1,500,000	120,137	1,201,369	Cancel new restricted employee shares 857	None	Jing-Shou-Shang No. 10801174420

Unit: Share
April 26, 2020

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares			
	Outstanding Shares	Un-issued Shares	Total	
Registered common stock	120,136,876	29,863,124	150,000,000	Outstanding Shares is listed stock

(II) Composition of Shareholder

April 26, 2020

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Foreigners	Total
Number (people)	5	49	135	19,857	253	20,299
Number of Shares Held (share)	9,209,000	18,190,190	7,297,948	43,756,827	41,682,911	120,136,876
Shareholding Ratio	7.67%	15.14%	6.07%	36.42%	34.70%	100.00%

(III) Distribution of share ownership (par value of NT$ 10 each share)

April 26, 2020

Shareholding Range	Number of Shareholders (people)	Number of Shares Held (share)	Shareholding ratio
1 to 999	9,976	420,462	0.35%
1,000 to 5,000	8,756	15,857,801	13.20%
5,001 to 10,000	819	6,370,413	5.30%
10,001 to 15,000	219	2,789,697	2.32%
15,001 to 20,000	121	2,231,220	1.86%
20,001 to 30,000	114	2,889,547	2.41%
30,001 to 40,000	47	1,685,600	1.40%
40,001 to 50,000	36	1,632,659	1.36%
50,001 to 100,000	72	5,158,572	4.29%
100,001 to 200,000	66	9,362,372	7.79%
200,001 to 400,000	27	7,476,514	6.22%
400,001 to 600,000	10	5,179,926	4.31%
600,001 to 800,000	11	7,934,353	6.60%
800,001 to 1,000,000	4	3,707,253	3.09%
1,000,001 above	21	47,440,487	39.49%
Total	20,299	120,136,876	100.00%

(IV) List of Major Shareholders

Name, number of shares held, and shareholding ratio of shareholders who hold more than 5% of the shares or the top 10 shareholders

April 26, 2020

Share / Name of Major Shareholders	Number of Shares Held	Shareholding Ratio
ING Life Insurance Company Limited-PAR	6,211,000	5.17%
New labor pension fund	5,944,000	4.95%
Gu Ming Investment Corp	3,358,339	2.80%
Silicon Power Computer & Communications Inc.	3,150,000	2.62%
Cathay Life Insurance Company Limited	2,911,000	2.42%
Labor Pension Fund Supervisory Committee-Labor Retirement Fund	2,852,000	2.37%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	2,807,066	2.34%
Wen Bin Lin	2,200,000	1.83%
Quant Foreign Value Small Cap Fund	1,999,100	1.66%
TRANSGLOBE LIFE INSURANCE INC.	1,964,000	1.63%

(V) Market Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information in the Most Recent 2 Fiscal Years

Unit: NT$ thousand; thousand share

Item			2018	2019	The Current Fiscal Year up to March 31, 2020
Market Price Per Share	Highest		132.50	197	171.5
	Lowest		70.80	95.3	98.00
	Average		93.14	145.27	143.44
Net Worth Per Share	Before Distribution		39.20	45.5	39.71
	After Distribution		34.20	39	-
Earnings Per Share	Weighted Average Number of Shares (thousand shares)		119,461	119,796	120,137
	Earnings Per Share		7.03	10.27	2.43
Dividends Per Share	Cash Dividend		5.0	6.5	-
	Stock Dividends	Stock Dividends from Retained Earnings	-	-	-
		Stock Dividends from Capital Reserve	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Investment Return Analysis	Price-to-Dividends Ratio (Note 1)		13.25	14.15	-
	Price-to-Earnings Ratio (Note 2)		18.63	22.35	-
	Yield on cash dividend (%) (Note 3)		5.37	4.47	-

Note 1: Price/Earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 2: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 3: Cash dividend yield = Cash dividend per share/Average closing price per share for the current fiscal year.

(VI) Company's Dividend Policy and Implementation thereof

1. The Company's Dividend Policy

   Dividend policy stipulated in the Company's Articles of Incorporation:

   Article 19: Any profit of the Company after annual closing of the books shall, shall be distributed in the following order:

   (I) Pay all taxes and dues.

   (II) Make up for accumulated losses.

   (III) Appropriate 10% of the remaining net profits as legal surplus reserve. Where such legal reserve amounts to the total paid-in capital of the company, this provision shall not apply.

   (IV) Appropriate or reverse special surplus reserve as prescribed by law.

   (V) If there is still remaining balance, the Board of Directors shall draw up an earnings distribution proposal on the balance and the accumulated undistributed earnings of previous years, and submit to the Board of Shareholders to resolve the dividends distribution to the shareholders.

   Article 19-1: Dividends to shareholders of the Company shall be distributed in the form of cash or shares, provided that the proportion of cash dividends distributed shall not be less than 10% of the total dividends. The policy of dividend distribution shall be based on the Company's current and future investment environment, capital needs, domestic and foreign competition, capital budget and other factors, taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company. The Board of Directors shall prepare a distribution plan and report to the shareholders' meeting on a yearly basis according to laws.

   Article 19-2: The Company may authorize the distributable dividends and bonuses in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the latest shareholders' meeting.

   Article 19-3: Where the Company incurs no loss, it may, authorize the legal surplus reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.

2. The proposed dividend distribution of Shareholders’ Meeting this year:

   (1) In accordance with the provisions of the Company's Articles of Incorporation, the Board of Directors is authorized to resolve specifically to distribute all or part of the dividends payable and bonus in cash, which was reported at the shareholders' meeting.

   (2) Allocate the shareholders dividends of NT$ 780,889,694 for the distribution of cash dividends of NT$ 6.5 per share. The calculation method of "unconditional leaving out the number less than NT$ 1" was adopted for the distribution of cash dividends, and the total number of decimal fraction less than NT$ 1 shall be adjusted on the decimal number from big to small and the account number from front to back to accord with the total cash dividend distribution.

3. Any expected material changes in the dividend policy: None.

(VII) Effects upon the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting

Since the Company did not disclose financial forecasts in 2019 fiscal year, there is no relevant information to calculate the impact of the stock grants on the Company's business performance, and earnings per share:

(VIII) Remuneration to the Employee, Directors and Supervisors

1. The percentages or ranges with respect to the remuneration of the employee, Directors and Supervisors, as set forth in the Company's the Articles of Incorporation

   As prescribed by the Articles of Incorporation, if the Company has gained profits within a fiscal year, 1% to 25% of the profits shall be reserved as the employees' compensation, and less than 3% as the Director's remuneration. However, if the Company has accumulated losses, it shall reserve the compensation amount in advance and then allocate employee remuneration and Director remuneration in accordance with the aforesaid proportion.

   Employee compensation shall be resolved by the Board of Directors to be distributed in the form of shares or in cash. Qualification requirements of employees shall include the employees of parents or subsidiaries of the Company meeting certain specific requirements.

   Prior to the establishment of the Audit Committee of the Company, the remuneration of Supervisors shall be allocated in accordance with the ratio prescribed in the first paragraph.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

   The basis for estimating the amount of employee, director, and supervisor remuneration of this year is calculated according to the Articles of Incorporation of the Company. Any discrepancy between the actual distributed amount and the estimated figure has been handled in accordance with the relevant laws and regulations.

3. Information on the remuneration distribution approved by the Board of Directors:

   The Board of Directors of the Company adopted the following resolutions on March 13, 2020:

   (1) The amount of any employee remuneration distributed in cash or stocks and remunerations for Directors and Supervisors

       The employee remuneration distributed in cash is of NT$ 110,022,521, and NT$ 33,006,758 for the directors, which has no discrepancy with the estimated figure for the current fiscal year.

   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: Not applicable.

4. The actual distribution remuneration of employees, Directors, and Supervisors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees, Directors and Supervisors, the discrepancy, cause, and how it is treated shall be stated:

Item	2018 Fiscal Year (distributed in 2019)		
	Amount Recognized in Financial Statements	Actual Distribution	Differences
Employee remuneration	NT$ 75,632,684	NT$ 75,632,684	None
Remuneration to Directors and Supervisors	NT$ 22,689,805	NT$ 22,689,805	None

(IX) Share Repurchases

None.

II The Annual Report Shall Provide Information on the Company's Issuance of Corporate Bonds, Including Unretired Bonds and Unissued Bonds for which an Issue is currently Under Preparation, and in Accordance with Article 248 of the Company Act the Report Shall Disclose all the Matters Set Forth Thereunder and Explain Their Effect upon shareholders' Equity

None.

III The Section on Preferred Shares Shall Include Both Outstanding and Unissued Shares for Which an Issue is Currently under Preparation, and Shall Disclose Any Conditions Attaching to Issuance and Their Effect upon Shareholders' Equity. The Information on Preferred Shares Shall Also Specify the Matters Listed under Article 157 of the Company Act

None.

IV The Section on Global Depository Receipts Shall Include Information on Receipts Issues that Remain Partially Outstanding, and on Unissued Receipts for Which an Issue is Currently under Preparation. Also to be Disclosed are the Date of Issue, Total Value of Issue, the Rights and Responsibilities of the Holders of Global Depository Receipts and Related Matters

None.

V The Section on Employee Stock Option Certificates

None.

VI The Section on New Restricted Employee Shares

May 15, 2020

<table>
<tr><td>Types of New Restricted Employee Shares</td><td>Phase (Period) I New Restricted Employee Shares of the 2016 Fiscal Year</td></tr>
<tr><td>Date of Effective Registration</td><td>July 15, 2016</td></tr>
<tr><td>Date of Issue</td><td>August 5, 2016</td></tr>
<tr><td>Number of New Restricted Employee Shares Issued</td><td>1,500,000 shares</td></tr>
<tr><td>Issue Price</td><td>NT$ 0</td></tr>
<tr><td>Ratio of New Restricted Employee Shares Issued to Total Issued Shares</td><td>1.25%</td></tr>
<tr><td>Vesting Conditions for New Restricted Employee Shares Issued</td><td>After the employee acquired the new restricted employee shares, who remains employed by the Company upon the expiration of the following vesting period without violating any provisions, hard contracts, work rules, company regulations and material violation of other agreements with the Company, and has achieved the Company's operating objectives set by the Company, the maximum proportion of shares to be allocated will be arranged in the following table, , provided that the actual proportion of shares to be allocated will be calculated according to the achievement of the Company's operating objectives (calculated according to the achievement of the Company's operating objectives, and set the initial EPS target and the maximum proportion EPS target. Where it is equal to or lower than the initial EPS target, the actual share proportion to be allocated is zero; Where it is higher than the initial EPS target, the actual share proportion to be allocated will be increased; Where it is equal to or higher than the maximum of initial EPS target, the maximum share proportion will be allocated). The proportion of the aforesaid shares is be calculated to two decimal points and round down without any condition; the number of shares allocated is calculated to the integer, and round down without any condition:

<table>
<tr><td>Vesting Period</td><td>Proportion of Shares Allocated</td></tr>
<tr><td>Has been employed for one full year after the allocation</td><td>25%</td></tr>
<tr><td>Has been employed for two full years after the allocation</td><td>30%</td></tr>
<tr><td>Has been employed for three full years after the allocation</td><td>45%</td></tr>
</table></td></tr>
<tr><td>Restricted Rights on New Restricted Employee Shares</td><td>1. According to the trust agreement, after the employee is allocated new shares, No new shares of the restricted employee rights shall be sold, mortgaged, transferred, gifted, pledged, or requested for preemption without dissent or otherwise disposed of prior to the satisfaction of the vesting conditions. However, if there are other regulations in these measures, such regulations shall prevail.
2. The attendance, proposals, speeches, and voting rights of the shareholders' meeting shall be executed by the trust custody institution according to law.
3. After being issued, the new restricted employee shares shall be immediately delivered to the trustee, and the employee shall not, for any reason or in any way, request the trustee to receive the new shares of the restricted new restricted employee shares prior to the satisfaction of the vesting conditions.
4. Prior to the satisfaction of the vesting conditions, If the employee terminates or dissolves the Company or the agent authorized and designated by the Company to handle the trust matters in violation of Article 7 (2), the Company shall have the right to recover the shares allocated to the employee without any compensation and cancel the shares.</td></tr>
<tr><td>Custody of New Restricted Employee Shares</td><td>Trust custody</td></tr>
<tr><td>Handling Methods if the</td><td>The Company will recover the new restricted employee shares allocated to the</td></tr>
</table>

Employee has Not Met the Vesting Conditions after Being Allocated or Subscribed for New Shares	employee without any compensation and cancel the shares. However, the Company will grant the employee the shares and interests allocated during the vesting period free of charge.
Number of New Restricted Employee Shares Recovered or Bought Back	500,735 shares
Number of New Restricted Shares with Restriction Lifted	999,265 shares
Number of New Restricted Shares with Restriction not Lifted	0 shares
Number of New Restricted Shares with Restriction not Lifted as a Percentage of Total Shares Issued (%)	0 %
Impact on Shareholders' Equity	Impact on the dilution of original common shareholders' equity is little

(I) Name and Acquisition Status of Managers and Top 10 Employees Who Acquired New Restricted Employee Shares:

1. Phase (Period) I New Restricted Employee Shares of the 2016 Fiscal Year

May 15, 2020

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of New Restricted Employee Shares Acquired</th><th rowspan="2">Number of New Restricted Employee Shares Acquired as a Percentage of Total Shares Issued</th><th colspan="4">With Restriction Lifted</th><th colspan="4">With Restriction not Lifted</th></tr>
<tr><th>Number of Shares with Restriction Lifted</th><th>Issue Price</th><th>Issue Amount</th><th>Number of Shares with Restriction Lifted as a Percentage of Total Shares Issued (%)</th><th>Number of Shares with Restriction not Lifted</th><th>Issue Price</th><th>Issue Amount</th><th>Number of Shares with Restriction not Lifted as a Percentage of Total Shares Issued (%)</th></tr>
<tr><td rowspan="6">Manager</td><td>CEO</td><td>Vincent Mao</td><td rowspan="6">591,000</td><td rowspan="6">0.49%</td><td rowspan="6">591,000</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0.49%</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td></tr>
<tr><td>General Manager</td><td>Wei Wang</td></tr>
<tr><td>CRO</td><td>Chun-Sheng Lin</td></tr>
<tr><td>Department Head</td><td>Xu-Fang Hsu</td></tr>
<tr><td>Deputy General Manager</td><td>Meng-Huang Liu</td></tr>
<tr><td>CRO</td><td>I-Hsi Cheng</td></tr>
<tr><td rowspan="15">Employee</td><td>Department Head</td><td>Hsiu-Mei Wang</td><td rowspan="15">453,000</td><td rowspan="15">0.38%</td><td rowspan="15">453,000</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0.38%</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0</td></tr>
<tr><td>Department Head</td><td>Ku-Tse Wu</td></tr>
<tr><td>Department Head</td><td>Chien-Lung Lee</td></tr>
<tr><td>Senior Department Head</td><td>Chih-Pin Lin</td></tr>
<tr><td>Senior Department Head</td><td>Yen-Chung Lin (resignation)</td></tr>
<tr><td>Department Head</td><td>Tsung-Yao Hu</td></tr>
<tr><td>Department Head</td><td>Sheng Hu</td></tr>
<tr><td>Special Assistant</td><td>Ju-Hung Chen</td></tr>
<tr><td>Special Assistant</td><td>Wei-Yu Yang</td></tr>
<tr><td>Department Head</td><td>Yao-Kuei Yang</td></tr>
<tr><td>Senior Department Head</td><td>Chuan-Pin Hsiung</td></tr>
<tr><td>Senior Department Head</td><td>Chien-Yuan Chao</td></tr>
<tr><td>Department Head</td><td>Jen-Chieh Liu</td></tr>
<tr><td>Senior Department Head</td><td>Ta-Hu Su</td></tr>
<tr><td>Senior Department Head</td><td>Hsing-Ta Su</td></tr>
</table>

Note 1: Managers and employees are listed by name, not by number of shares

VII The Section on New Share Issuance in Connection with Mergers and Acquisitions

None.

VIII The State of Implementation of The Company's Capital Allocation Plans

None.

Chapter 5 Operations Overview

I Business Activities

(I) Business scope

1. Major contents of business

   The main business items as stated in the Certificate of Incorporation and Business Registration Certificate are as follows:

   (1) Design, manufacture, test, and sale of various integrated circuits.
   (2) Design, manufacture, test, and sale of various integrated modules.
   (3) Research, development, and sales of various integrated circuit applications.
   (4) Trading and agency business of various integrated circuits.

2. Major lines of business and percentage of each line

Unit: NT$ thousand

Major Product	2019	
	Sales Volume	Percentage (%)
Integrated Circuit Design Products	13,584,346	98.42%
Others	218,392	1.58%
Total	13,802,738	100.00%

Note: "Others" refer to other products purchased on behalf of the customers.

3. New products (services) planned for development

   (1) High-end smartphone display driver chips.
   (2) Medium-size color automotive display driver chips.
   (3) Integrated display drivers and capacitive TDDIs.
   (4) Small-size AMOLED display driver chips.
   (5) High-end distance and ambient light sensors.

(II) Industrial overview

1. The current status and development of the industry

   Sitronix Technology provides a wide range of applications, from display driver ICs (DDIs) for feature phones, smartphones, automotive and industrial control to non-DDI products such as MCU, power management ICs, sensors, etc., covering a variety of industries, applications, markets, and customer groups. We can classify these products into three categories: mobile phone DDI, industrial control and onboard DDI, and SoC (System on a Chip). Among them, the industrial control category covers hundreds of applications, which is difficult to analyze one by one. As for the SoC, sensors are the biggest category, thus we will focus on the three product categories of sensors, mobile phone DDI, and automotive DDI, and emphasize the recent developments that are more likely to be associated with the Company business.

   I. Sensors and Internet of Things (IoT)

   Sitronix's sensors, designed by its subsidiary, Sensortek, have made significant breakthroughs in recent years. From the perspective of the overall market, with the development of IoT and Industry 4.0, the application of various sensors is increasingly diversified, which can be roughly classified from the three levels of individuals, families, and society.

   (a) Personal consumer products: mobile phones, wearable devices, automobiles, etc.

   Manufacturers are trying to differentiate themselves in an increasingly competitive market by diversifying the capabilities of mobile phones and wearable devices, including biometrics, gesture control, emotion and health management applications, which have been applied to a variety of sensors. The biometric technology has advanced in analyzing users' physical characteristics, including iris and fingerprint recognition. Sensors can also be used to track the user's finger movements, such as tapping or sliding, to control true wireless Bluetooth headphones (TWS), smart home devices, automobiles, etc. In terms of physical and mental management, sensors can be used in mobile phones, wearable devices, or medical and health devices to detect body indexes such as heartbeat, facial expression, and skin temperature and record the psychological and physiological state of the user.

In addition, as for the larger consumer products, sensors are also widely used in the automotive devices. Manufacturers have successively launched Advanced Driver Assistance System (ADAS), applied sensors in various safety devices, and combined them with gesture control and other operational functions. It not only makes it convenient but also enhances driving safety. The development details of the automotive industry will be addressed in the third section.

(b) Family sharing device: smart home application

In addition to the personal consumer products mentioned in the previous section, sensors are also widely applied in smart home applications. Internationally-renowned manufacturers and many startups have launched all kinds of products one after another, flourishing throughout the market. Smart air conditioners, refrigerators, door locks, lighting devices, sockets, security monitors, stew pots, toothbrushes, shutters, and other applications are springing up in succession. A variety of sensors can be used to detect indoor temperature, humidity, air quality, human movement, item movement, breakage of doors and windows, water leakage and icing, users' return to home (which leads to an automotive release of the smart lock) and many other purposes.

One of the most high-profile products of the smart home is the lastest superstar, smart speakers. Although Amazon announced its launch of smart speakers in 2014, its main rivals such as Google Home and Apple's HomePod did not make the effort to seize the market until recently. Smart speakers can be called the hub of smart families, enabling consumers to easily control the air conditioning, lighting, door locks, even the cars (users can ask smart speakers about the use status of their own cars, such as the parking locations and the amount of remaining oil of different vehicles) and other products. The popularity of smart speakers is a boon for other makers of smart devices since they complement each other. Many manufacturers have already integrated their products with Amazon and Google, so consumers have plenty of options when buying smart home products.

(c) Large-scale application of smart factories and smart cities

The important aspects of smart factories and smart cities include collecting information by using various devices such as equipment with sensors and integrating the information with big data and cloud technology for active detection, prevention in advance, and post-incident quick judgment and treatment, which are widely applied in business, energy, transportation, safety, and other fields to make life more safety, eco-friendly, and efficient.

In the public domain, energy-related applications have been one of the most common smart city constructions. Many cities in the world have invested in the construction of smart power grid, smart water meter, smart gas meter and so on. According to power manufacturers, the global market volume for smart electric meters is estimated as high as about 600 million sets.

II. Market Growth and Technological Breakthroughs of Mobile Phones

As the high-end mobile phone market is becoming increasingly saturated and the competition is heating up, the mobile phone manufacturers mainly respond with the following strategies: (a) Seizing markets other than high-end ones: launching more middle and low-end mobile phones of cost-effective and actively exploring emerging markets (outside China). (b) Promoting subtle product differentiation in established high-end markets. (C) Developing a complete ecosystem, such as home appliances, VR devices, wearable devices and other products, paired with the use of mobile phones to increase brand stickiness.

(a) Middle and low-end mobile phones of cost-effective and emerging markets
Brands are more aggressive to grab other emerging markets as the Chinese market becomes increasingly saturated. For example, in the third quarter of 2018, India, which is considered as a key battleground for mobile phones, surpassed the United States to become the world's second-largest smartphone market, second only to China. Data from Counterpoint, a market research institute, shows that the smartphone market in India has exceeded that of the US and is second only to China, where low-cost mobile phones still dominate. MIUI is still dominating the Indian market, while other brands such as Samsung and Vivo are catching up.

(b) High-end product differentiation
A full screen is what most mainstream mobile phones already have. And full-screen hole-cutting is expected to be adopted by more manufacturers. For the panel manufacturers and driver IC manufacturers that supply such kind of phones, the trend of increased panel size and irregular cutting involved represents an increase in pricing.
Besides the full screen, other features such as multi-lens, 5G, foldable screens are the direction that smartphone manufacturers will focus on.
In addition, various manufacturers have also demonstrated various products that can be matched with mobile phones, such as home appliances, aerial cameras' remote controls, etc. It also reflects the efforts made by mobile phone companies in recent years to expand the brand's ecological chain to increase consumer stickiness.

(c) Collaboration across the industry and development of a complete ecosystem to increase brand stickiness
Despite mobile phone manufacturers' consistent efforts on making innovative mobile phones, in order to adapt to the mature stage of mobile hardware, brands have invested in the development of the ecosystem successively and made investment or multi-industry alliances, in an attempt to expand the momentum and reach into every area of life of consumers, such as mobile payment, virtual reality devices and other applications.

III. Automotive Market
For Sitronix, vehicle-mounted products are more profitable than DDIs for consumer products such as mobile phones partly owing to the high standard test specifications of vehicle-mounted products, which have to be able to endure various traveling conditions such as a wide temperature range and high vibration. Also, the products' life cycles are longer and they need to be durable over multiple times of use. As a result, the vehicle market is relatively closed and there is difficulty in obtaining the certification, but once it is certified, the order is long-term and stable.
While the market volume is increasing, the automobile industry is also developing towards the demands of convenience, safety, and environmental protection in terms of technology and widely uses sensors, automotive DDIs and

other products.

(a) Convenience: the important role that mobile phones play in the Internet of Vehicles

Each major automaker has introduced more convenient services, such as allowing drivers to use basic mobile phone functions like dialing, SMS, and map navigation on the auto screen, as well as third-party apps, making the driving experience increasingly personalized.

Furthermore, some automakers have set up their own smart systems to provide more intimate services to consumers, including allowing the address on the mobile phone to be directly transmitted to the vehicle to avoid the trouble of entering the destination, sending directions to the mobile phone after parking, and locking or unlocking the car remotely with the mobile phone at any time, etc. Other than using the mobile phone, multiple functions can be operated by other devices such as smart watches, giving the driver greater freedom of operation.

(b) Safety: driving assistance, tire pressure detection, HUD and other equipment

The convenience of various new features mentioned above is appealing, but driving safety on the road is still the most important part of the automotive industry and one of the ultimate goals of vehicle intelligence. The concept of smart vehicles covers such items as a relatively basic auxiliary system and more advanced fully autonomous driving, in which the development planning of Advanced Driver Assistance System (ADAS) has reached a certain degree. The applications of sensors in this system include lane departure detection, blind zone warning, parking assistance, driving fatigue detection, etc.

What's more, HUD is also an application closely related to driving safety. It can display vehicle information in the driver's front field of vision, such as driving path, speed, etc., thus reducing the driver's sight movement and ensuring driving safety. HUD is to project a light source from the inside of the dashboard to the front windshield and present information in a reflective way. Originally, this technology is mainly used in military applications such as fighter jets. However, some cars are also equipped with HUD devices, and there is still great room for HUD development.

(c) Environmental protection: the growth of electric vehicles

In the case of increasingly strict standards of vehicle carbon emissions, hybrid or pure electric vehicles can effectively solve the problem of vehicle carbon emissions. The market for electric cars is in its early stages of growth, and governments around the world are offering subsidies to help make them more affordable by offsetting relatively high prices. In addition to the vehicles themselves, electric vehicles can also drive the business opportunities for the construction of charging piles or charging stations, and the screens on the charging piles are expected to grow simultaneously.

IV. Overview of the Major Industries in which Sitronix is Involved

From the perspective of the three product categories of sensors, mobile phones, and vehicle-mounted products, the recent development of the industry mostly emphasizes on the key points such as everything is connected, cross-domain cooperation, the expansion of medium and low-end markets, and the technical improvement of high-end markets, so as to lead a safer, more convenient, environmentally friendly and efficient life. Besides, a huge demand for sensors and DDIs and other technological products has been spawned in the process of this development. One of the current challenges is the integration of standards within the domain and cross-domain, and the compatibility of information content across different systems and brands. If all kinds of information can flow seamlessly in the same domain and cross-domain in the whole ecosystem, the society can truly benefit from the intelligence of all things. As an IC design company with several display technologies, diversified products of a wide range of industrial customers, and the pursuit of steady R&D strength, we are optimistic about this trend.

2. The relevance among the upstream, midstream and downstream of the industry

   The general relevance among the upstream, midstream and downstream of the domestic semiconductor industry is shown in the following table, which can be roughly divided into the upstream of chip design, the midstream of mask and wafer manufacturing, and the downstream of wafer testing and packaging. Sitronix is an IC design company in the upstream.

Upstream	Midstream	Downstream	Application Users
IC Design (Design House)	Mask and Wafer Manufacturing (Foundry)	Packaging and Testing	Brand Manufacturers Communication manufacturers Computer developers

3. Product devxelopment trend
   A. Zero capacitor technology

      The zero capacitor technology used by Sitronix is ahead of the market, and the Company's R&D team is continuing to push this product feature and competitive advantage into the medium to high-resolution display driver chip, enabling Sitronix to maintain the lead of the industry in terms of specifications and raising the technological threshold to ensure product advantages.
   B. Medium-size vehicle panel driver ICs

      In recent years, Sitronix has been strengthening the development of medium-size vehicle panel driver IC, which has been continuously adopted by major customers and is expected to gradually increase its share in the automotive display driver IC market.
   C. Sensors

      The sensors produced by Sensortek, a subsidiary of Sitronix, have been constantly upgraded, which has successfully entered the high-end market and has won many customer support and recognition.
4. Industrial competition

Product	Industrial Peers	Product Technology Difference and Market Positioning Analysis
LCD Driver IC (Mono)	Ultrachip Epson	A. Product Technology Difference: Sitronix holds a number of patents strengthening the Company's competitive advantage in many aspects. B. Market Position Analysis: In terms of shipments of black and white display driver IC, Sitronix is the market leader, which also means Sitronix is one of the few manufacturers that can provide one-stop services on a large scale. The Company can supply ICs of black and white and color, with resolution from low to high to customers according to the demand of different product positioning in each industry.
LCD Driver IC (Color)	Novatek Himax Ilitek Focaltech Gcoreinc New	A. Product Technology Difference: Innovative patented circuit design to provide the best quality to customers. B. Market Position Analysis: Sitronix is the current market leader in display drive IC for feature phones. And in the smartphone display driver IC market, we still

Product	Industrial Peers	Product Technology Difference and Market Positioning Analysis
	Vision	have a lot of room for growth. Sitronix will continue to improve its competitive advantage through product differentiation.

Product	Industrial Peers	Product Technology Difference and Market Positioning Analysis
Touch Control IC	Synaptics Goodix Focaltech	A. Product Technology Difference: The anti-noise technology of Sitronix can effectively resist interference sources, such as charger, LCM, etc. B. Market Position Analysis: Sitronix is a new entrant in the touch control market and has a lot of room for growth.
Sensors	AMS Bosch	A. Product Technology Difference: In addition to producing the standard version of the proximity sensors, Sensortek, a subsidiary of Sitronix Group, has also successively launched multiple versions such as small aperture, under-screen and different sensitivity to meet the different needs of various customers. B. Market Position Analysis: Sensortek's proximity sensors and ambient light sensors continuously adopted by each big customer, and the acceleration sensor (accelerometers) is a new entrant in the smartphone application market, has great room for growth.

(III) Overview of technology and research and development

1. Research and development expenses that have been invested

Unit: NT$ thousand

Year	2019	2018
R&D Expenses	1,587,676	1,318,845
As a Percentage of Operating Revenue in Current Fiscal Year	12%	13%

2. Technology and products that has been successfully developed

Year	Content of Technologies
1999	Established the SOC architecture based on W65C02.
2000	Completed the electronic dictionary chip with full integration, and set up the IP with a total of 16Mbit Mask ROM,32Kbit SRAM, Dual-port SRAM, DMA, LCD controller, low voltage detector circuit, etc.
	Established the self-developed text LCD Controller/ Driver architecture; Researched and developed and improved the anti-static damage capability to an industrial level.
	Completed power-saving SOC chip with standby current less than three microamps.
2001	Completed the super power-saving (60 microamps) LCD Controller/Driver for mobile phones, with the output voltage variation of various display graphics less than 1%.
	Completed the built-in Chinese font LCD Controller.
	Designed high voltage (40V) related IP, e.g. Power hoist protection circuit, high voltage ESD protection circuit, Level shift circuit, etc.
2002	Electronic dictionary, LCD Driver for electronic dictionary, LCD Driver for mobile phone, LCD Driver for PDA.
	Built-in power-saving OP and Booster circuit, which can greatly improve the display quality of the electronic dictionary and save 300 microamps.
	Built-in partial voltage capacitor and double voltage capacitor, saving external parts of the phones.
	Completed the LCD Drive with HI FAS drive mode, saving 40% power compared with traditional circuits.
2003	Built 0.35μ design.
	Built DSP technology.
	Built Audio application technology
	Built CSTN color technology.
	Started to build TFT color technology.

Year	Content of Technologies
	Built Shared Pixel Rendering color technology.
	Built Color Dithering color technology.
	Built white LED driver technology.
2004	Completed an electronic dictionary platform with USB and Flash reading interface.
	Completed the research and development of DSP voice chips.
	Completed 26XX series of educational toy products.
	Completed the research and development of 4K Color STN Driver, mass-produced and delivered.
	Completed the research and development of 65K Color STN Driver, mass-produced and delivered.
	Completed the product research and development of TFT LCD Driver for mobile phones.
2005	Completed a new generation architecture platform for electronic dictionaries.
	Established the technology of hardware and software for music players.
	Completed the research and development of the educational toy product line.
	Completed the CSTN Driver for the HIFAS architecture.
	Introduced TFT Mobile Driver to mass production.
	Built the technical capability of a Large Panel Driver.
	Continued the cost down work of STN and CSTN products.
2006	Built VoIP control integrated circuit technology.
	Built the integrated circuit technology of the chip card reader with a USB interface.
	Built an 8-bit microprocessor development system based on a USB interface.
	Successfully introduced the Green Driver technology into STN and CSTN products.
	Successfully introduced TFT IC into MP4 and high-end mobile phone market and smoothly introduced it to mass production.
	Built a complete small and medium-size TFT product line.
	Completed the development of automotive LCD Driver IC.
	Started the mass production of 6 bits 384 Channels Source Driver for LCD monitors.
	Started the mass production of 256 Channels Gate Driver for LCD monitors.
	Started the mass production of 6 bits 642 Channels Source Driver for LCD monitors.
2007	Built an 8-bit and the 32-bit digital photo frame system.
	USB interface single-chip for wafer reader was recognized by the international manufacturers and introduced it to mass production.
	Established a complete and quick multimedia playback platform.
	Successfully introduced Green Driver MSTN/CSTN to mass production.
	Successfully introduced vehicle LCD Driver to mass production.
	Completed the new technology of Crosstalk compensating circuit and introduced it to mass production.
	Built the research and development technology of Green Driver TFT.
	Started the mass production of 6 bits 384/642 Channels Source Driver for LCD monitors.
	Started the mass production of 256/300/350 Channels Gate Driver for LCD monitors.
	Completed the verification of 6 bits 720/840 Channels Source Driver for LCD monitors.
	Completed the verification of 8 bits Source Driver and 400 Channels Gate Driver for LCD monitors.
	Completed the verification of 1200 Channels Source with 480/600 Channels Gate for AV monitors.
2008	Established a complete digital photo frame product system.
	Built a multi-functional personal karaoke player.
	Introduced the Palette Driver to mass production.
	Researched and developed the E-Paper driver chip.
	Introduced CABC & Dot Inversion TFT LCD driver IC for mobile phones.
	Started the mass production of 6 bits 642/720 Channels Source Driver for LCD monitors.
	Started the mass production of 400 Channels Gate Driver for LCD monitors.
	Completed the verification of 6 bits 960 Channels Source Driver for LCD monitors.
	Completed the verification of 88 bits Source Driver for LCD TV.
	Started the mass production of 1200 Channels Source Driver and 600 Channels Gate Driver for Low-price Notebook panel, completed the verification of 480 Channels Gate Driver.
	Completed the output of the Source Driver Engineering Sample of the 1200 Channels built-in Timing controller for digital photo frame panels.
2009	Personal portable Karaoke Audio Player product.
	Completed the design of speech book system and development of software.
	Developed the TFT LCD drive single-chip Green Driver technology for mobile phones.
	Started the mass production of small-size TFT LCD driver single-chip built-in capacitor technology.
	Started the mass production of small-size TFT LCD driver single-chip built-in backlight power-saving technology.
	Started the mass production of mini-LVDS 6 bit 960 channels COF driver for LCD monitors.
	Started the mass production of RSDS 6 bit 960 channels COF driver for LCD monitors.
	Completed the verification of mini-LVDS 6 bit 1026 channels COF driver for LCD monitors.
	Completed the verification of mini-LVDS 768 channels COG source driver for Notebook panel.
	Completed the verification 800 ch and 600 ch COG gate driver supporting Dual gate architecture for Notebook panel.

Year	Content of Technologies
	Completed the output of the Source Driver of 1200 Channels built-in Timing controller for digital photo frame panels.
2010	A new generation of multi-functional control chip and processing platform.
	Portable music singing program.
	Voice sound control platform.
	The program of the 32-bit processor applied in the learning machine market.
	A new generation of the 32-bit processor chips.
	The controller chips for Apple accessories products.
	Expanded the driver chips built-in capacitor products for mobile phones.
	Built the small-size, medium and high-resolution drive chip technology without capacitors.
	Researched and developed the small-size driver chip of integrated circuit for reducing memory unit.
	Built the driver chip high-speed single-channel interface technology for mobile phones.
	Started the mass production of mini-LVDS 768 channels COG source driver for Notebook panel.
	Started the mass production of 960ch gate driver supporting the Dual gate architecture for medium-size panel.
	Started the mass production of the Source Driver of 1200 Channels built-in Timing controller for automotive panels.
	Started the mass production of mini-LVDS 6 bits 1026 channels COF source driver for LCD monitors.
	Started the mass production of Source/Gate driver for industrial panel.
2011	Expanded the TFT LCD driver single-chip built-in capacitor products for mobile phones.
	Built the TFT LCD, medium and high-resolution driver single-chip technology without capacitors for mobile phones.
	Built the driver single-chip high-speed single-channel interface technology for mobile phones.
	Introduced the new STN Driver IC for customer testing, and successfully introduced it to mass production at the end of the year.
	Completed the research and development of TN Driver COG IC, and introduced it to marketing promotion.
	Developed medium-sized TFT 800*480 resolution 2 chip solution, high pin count gate driver, built-in timing generation circuit, driver IC supporting 1024*768 resolution and arbitrary resolution timing generation circuit.
	Developed the driver IC with built-in timing generation circuits, real 8-bit driver IC and temperature compensation circuits for automotive TFT panel.
	Started the mass production of multi-touch program for tablet PC.
	Passed the certification of Win7 10-finger touch Logo.
	Built the Single-layer ITO touch sensing technology.
	Started the mass production of a new generation of five-finger touch single-chip for smartphones.
	Launched a multi-touch single-chip designed specifically for tablet PC.
	Complete the multi-touch control technology supporting OGS (One Glass Solution).
	Built the multi-touch technology that could resistant to high noise of power adapters.
2012	Built the driver chip technology with small-size, TFT LCD, medium and high-resolution, without capacitors.
	Developed the driver chip with built-in timing generation circuit and power circuit.
	Developed the control chip for 3D glasses.
	External power supply system of Mono-STN Green Driver.
	Developed the1024*600 resolution 2Chip solution.
2013	Built the technology of TFT LCD driver IC with high-speed interface, high-speed SRAM, Line buffer for mobile phones.
	HD720 (800*1280) For LTPS LCD Driver.
	Built the small-size driver single-chip technology with TFT LCD, medium and high-resolution, without capacitors for feature phones.
	Developed the ES of PND 480x272 0C driver IC.
	Researched and developed the STN DRIVER NEW BOOST SYSTEM WITH ZERO CAPS.
2014	2/4 direction gesture control proximity sensor.
	Small sensor hole proximity sensor.
	320*240 resolution STN display driver chip for industrial control instrument.
	480*272 resolution color TFT display driver chip for Smart Home products.
	HVGA (480*320) Zero Cap a_Si TFT LCD driver IC.
	HD720 (1280*800) a_Si TFT LCD driver IC.
	WVGA Burst Out DC/DC Convertor for Zero Cap Driver IC.
	MIPI with 1.5G pbs Lane Speed.
	Integrated IC of Touch IP for TDDI (Touch + display driver).
2015	320*240 STN with LVDS display driver chip for industrial control instrument.
	800*480 STN display driver chip for industrial control instrument.
	1.5 m/m small-sensor-hole proximity sensors.
	1920*720 1440-channel TFT display driver chip for automotive center stack/instrument cluster.
2016	Announced to launch the HD720 zero-capacity version.
	Announced to launch the FHD Zero capacitor version.
2017	Started the mass production of automotive touch controller.
	Launched the upgrade version of the proximity sensor.
2018	Launched the low power consumption industrial control DDI product.
	Launched the micro-gap proximity sensor and under-screen proximity sensor.

Year	Content of Technologies
2019	Launched the upgrade version of the distance and ambient light sensors.
	Launched the advanced drive chip for industrial control display.
	Launched the drive chip for wearable display.

(IV) Long-term and short-term business development plans

(1) Short-term business development plans

1) Marketing strategy:
Continuing to expand the channels and strengthening overseas marketing (such as Japan, Korea, etc.) to increase the market share of LCD driver chips.

2) Production strategy:
Strengthening the layout and development of cooperation with domestic and foreign foundries, packaging plants, test plant and other outsourcing manufacturers, to enhance and stabilize the supply source and flexibility. Actively establishing the information network connection with the cooperative supply chain manufacturers, so as to facilitate immediate control of the production schedule and quantity.

3) Product strategy:
Continuously diversifying the application of product and balance the development of all product lines to reduce the impact of the product's economic cycle on the Company's operations and profitability.

(2) Long-term business development plans

1) Continuously improving the breadth and depth of product application and establishing a complete sales base. Cooperating with the international development strategy to enhance the international brand customers and market awareness.
2) Developing new processes and technologies with supply chain plants to spread risks.
3) Fully grasping the market impulse, developing towards the high profit, high growth niche products, and continuing to invest in research and development, master the key technology and aim for maximum profit.
4) Providing a complete analysis of the growth and market development of the Company and conducting comprehensive financial planning and regular audits accordingly, in order to reduce operational risks and enhance the competitiveness of the Company.
5) Adhering to the concept of sustainable management, establishing a good corporate culture, continuing the direction of short-term development plan to respond to the growth of scale of operation.

II Overview of Market and Production and Marketing

(I) Market analysis

1. Sales area of major products

Unit: NT$ thousand

Sales Area	2018		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Taiwan	730,627	7.07	673,515	4.88
Hong Kong and Others	9,599,878	92.93	13,129,223	95.12
Total	10,330,505	100.00	13,802,738	100.00

2. Market share

At present, the Company's main products include small-size display driver IC, proximity sensors, ambient light sensors, etc. Sitronix is the market leader in display driver IC for feature phones and wearable devices, with a global market share of more than 60%. We expect to continuously consolidate the market position of our existing products and simultaneously, increase the global market share of display driver IC and sensors in smartphones.

3. Future supply and demand and growth of the market

   The small-size panel drive IC designed by Sitronix is mainly applied in mobile phones but has also been used in other products such as smart speakers and wearable devices in recent years, and shipments of such products are expected to grow steadily in the future. As for the sensors, the Company is planning to continuously introduce upgraded versions and new product lines so as to drive growth steadily.

4. Competitive niche

   (1) Professional and stable management team

   Sitronix's market positioning is completely specific and its strategy focuses on long-term and steady development. The Group's management team is of rich and comprehensive experience and can make rigorous and definite decisions, thus it can effectively grasp the cooperation between the upstream and downstream supply chains, as well as the key technologies of products, and has the strength to self-develop new products, so as to maintain its good competitive advantage.

   (2) Complete product portfolio

   In terms of the main product driver IC (DDI), Sitronix offers a complete product portfolio, various from black and white TN and STN to color TFT, from low resolution to medium and high-resolution.

   In addition to DDIs, Sitronix also provides touch control chips, MCUs, power management chips, ambient light sensors, proximity sensors, accelerometers, etc. On the whole, Sitronix Group is involved in a wide range of industries, including feature phones, smart mobile phones, wearable devices, vehicle-mounted products, industrial control, etc., in which industrial control covers hundreds of applications, including U-key, multi-function printers (printers, etc.), smart electric meters and other products.

   The advantages of a diversified product portfolio include: (a) a one-stop service for customers with many product lines and different needs. (b) reduce the risks brought to the Company by a single product and a single industry. (c) different industries have the trends of different revenue and gross margin which can balance each other.

   (3) Maintaining good relationship with foundries

   The Group has a long history of good cooperation with well-known foundries. In addition to fully grasping the timing of product production process, it also can effectively reduce costs and ensure quality. During the off-season, we can allocate the production capacity to reduce the cost of foundry, which can provide good competitiveness for the cost, quality and efficiency of our products.

5. Advantages and disadvantages for future development and response strategies

   1) Advantages

      A. Sustainable growth of IOT

      The wide range of related applications of IOT, coupled with the rapid development of peripherals of various hand-held devices, has brought new demands for DDI and related sensors.

      B. Growth of panel size and quantity

      In addition to the growing demand for consumer electronics such as smartphones and wearable devices, the use of panels is also expected to increase in other markets such as vehicle-mounted, medical, and digital signage. Moreover, there is also a tendency to increase the size of existing panels, such as the for automotive panels, it develops gradually from the traditional less than six inches to seven to nine inches, or even more than nine inches, and the larger the panel size, the more DDI needed, and thus promote the overall market growth.

C. Industrial structure of specialization

The IC industry adopts the operation mode based on specialization, with IC design companies focusing on design rather than manufacturing. Therefore, in the rapidly changing industrial environment, IC design companies can enjoy greater flexibility to upgrade existing products or plan new products.

2) Disadvantages and response strategies

A. The functions required to drive ICs tend to be more complex

As the requirements of all aspects of panels for electronic products increase, and the panel types include different types such as LCD and OLED, the design of driver IC also needs to upgrade accordingly. This trend increases the complexity of driver IC.

Response Strategies

The Company's market positioning is very specific that it will continue to strengthen product layout and communication with customers, grasp the most advanced technology development trends and develop corresponding strategies to reduce the risk.

B. Product prices are under downward pressure

Consumer products, such as mobile phones are under relatively high pressure of prices falling. Under the pressure of price reduction, if the driver IC manufacturer is unable to control costs, its profitability level will be affected.

Response strategies

(1) Continuously investing in research and development and establish differentiated technical barriers to increase the distance from competitors.
(2) Diversifying product portfolio, taking into account industries with low price falling pressure and high gross margin.
(3) Continuously and rigorously managing the upstream and downstream industrial chain to control product cost.
(4) Continuously improving production process and design, increasing grain output per wafer, and strategically adjusting inventory during the off-season.
(5) Enhancing customer service and explore new market opportunities to maintain the Company's competitive advantage.

C. The market product changes rapidly and the product life cycle becomes shorter

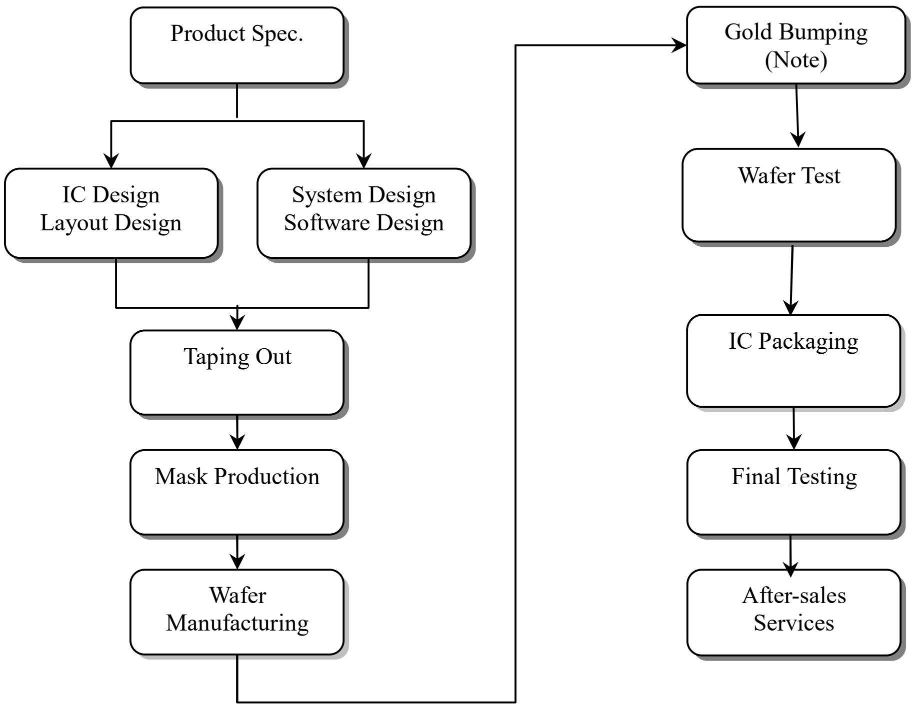
The rapid progress of semiconductor technology, the increased demand for product functions and the peers' successively development on new products have accelerated the pace of replacement.

Response strategies

(1) Continuing to decentralize the application and developing niche products to respond to rapid market changes.
(2) Strengthening product planning, making full use of accumulated achievements and experience to maintain the leading position in product R&D, widening the technological gap with competitors, and getting rid of the situation of price competition.
(3) Continuing to maintain a good cooperative relationship with the downstream wafer foundry and packaging test plant to optimize the IC production schedule.

(II) Important applications and manufacturing processes of main products

1. Important applications of main products
   - (a) Display panel driver chips for feature phones, smartphones, various portable consumer products, etc.
   - (b) Display panel driver chips for multi-function printers, office automation equipment, industrial control products, POS machines, etc.
   - (c) Chips of ambient light sensors, proximity sensors, accelerometers for smartphones and wearable devices.
   - (d) Driver chips fr vehicle-mounted display panels.
   - (e) Touch control chips for wearable devices, industrial controls and automotive applications.
2. Manufacturing processes of main products



Note: The gold bumping process is subject to requirements of products or customers

In the aforesaid process of grain production, the Company is responsible for the specification, IC design, system design and after-sales services. The mask production, wafer manufacturing, gold bumping, wafer testing, IC packaging, and final testing are commissioned to professional manufacturers.

(III) Supply situation of major raw materials

The main raw materials of the Group are wafers, which are mainly provided by Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) and Vanguard International Semiconductor Corporation. With the stable quality of their products and high cooperation on capacity of supply and demand and delivery time, the Group has a good relationship with these two suppliers and has cooperated for a long time, thus there is no risk on the shortage of supply.

(IV) Names of customers who have accounted for more than 10% of the total amount of goods purchased (sold) in any of the most recent two years and the amount and proportion of the goods purchased (sold), and state the reasons for the increase or decrease

1. Information of major suppliers in the most recent two years

Unit: NT$ thousand

	2018				2019				Up to Previous Quarter of 2020 Fiscal Year			
Item	Name	Amount	As a Percentage of the Annual Net Purchases [%]	Relationship with the Issuer	Name	Amount	As a Percentage of the Annual Net Purchases [%]	Relationship with the Issuer	Name	Amount	Up to the Previous Quarter of 2020	Relation ship with the issuer
1	Manufacturer A	3,903,897	74%	None	Manufacturer A	3,907,600	66%	None	Manufacturer A	903,519	56%	None
2	Manufacturer B	770,081	15%	None	Manufacturer C	813,003	14%	None	Manufacturer C	379,720	24%	None
3	Others	618,915	11%	None	Others	1,169,251	20%	None	Others	319,888	20%	None
Total	Net purchases	5,292,893	100%	None	Net purchases	5,889,854	100%	None	Net purchases	1,603,127	100%	None

Reasons for increase or decrease: The main purchased products of Sitronix and its subsidiaries are wafers. As a result of the changes in the sales portfolio and the manufacturing process, there are some changes in the suppliers, amounts and proportions.

2. Information of major customers in the most recent two years

Unit: NT$ thousand

	2018				2019				Up to the Previous Quarter of 2020			
Item	Name	Amount	As a Percentage of the Annual Net Sales [%]	Relationship with the Issuer	Name	Amount	As a Percentage of the Annual Net Sales [%]	Relationship with the Issuer	Name	Amount	As a Percentage of the Net Sales up to the Previous Quarter of the Year [%]	Relationship with the Issuer
1	Customer A	1,704,803	17%	None	Customer A	1,832,091	13%	None	Customer A	282,234	9%	None
2	Customer B	1,026,545	10%	None	Customer B	887,937	6%	None	Customer B	140,799	4%	None
3	Others	7,599,157	73%	None	Others	11,082,710	81%	None	Others	2,715,814	87%	None
Total	Net sales	10,330,505	100%	None	Net sales	13,802,738	100%	None	Net sales	3,138,847	100%	None

Reasons for increase or decrease: As a result of the changes in the sales portfolio and the market environment, the amounts and proportions of sales of major customers of Sitronix and its subsidiaries have changed.

(V) Table of production output for the most recent two years

Year / Production Quantity / Major Commodities	2018			2019		
	Capacity	Yield	Output Value	Capacity	Yield	Output Value
Integrated Circuit Design Product	-	1,537,641	7,324,117	-	1,973,275	9,257,037
Others	-	-	118,979	-	-	171,043
Total	-	1,537,641	7,443,096	-	1,973,275	9,428,080

Note: The main products of Sitronix and its subsidiaries are IC design of integrated circuit, which are commissioned by semiconductor factory for manufacturing, and outsourced for testing, packaging and shipment. The Company itself does not have the production capacity, thus is not applicable.

(VI) Table of sales volume for the most recent two years

Year / Sales Volume / Major Commodities	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume	Sales Volume	Sales Volume	Sales Volume	Sales Volume	Sales Volume	Sales Volume	Sales Volume
Integrated Circuit Design Product	64,144	597,161	1,465,220	9,575,116	48,834	465,900	1,924,847	13,118,446
Others	-	133,466	-	24,762	-	207,615	-	10,777
Total	64,144	730,627	1,465,220	9,599,878	48,834	673,515	1,924,847	13,129,223

III Employees

Year		2018	2019	The Current Fiscal Year up to March 31, 2020
Numbers of Employees	Management	159	174	174
	Professional	433	488	498
	Assistant	79	89	90
	Technician	72	91	90
Total		743	842	852
Average Age		37.29	38.25	38.25
Average Years of Service		6.49	6.42	6.49
Educational Ratio at All Levels	Doctor Degree	2.3%	2.1%	2.2%
	Master Degree	48.0%	45.1%	44.6%
	College Degree	45.4%	47.5%	48.0%
	High School	4.0%	5.1%	4.8%
	Below High School	0.3%	0.2%	0.4%
Total		100%	100%	100%

IV Information on Environmental Protection Expenditure

Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Environmental Pollution Incidents (Including Any Compensation Paid and Any Violations of Environmental Protection Laws or Regulations Found in Environmental Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

V Labor Relations

(I) Employee Benefits, Continuing Education, Training, Retirement Systems, and the Status of their Implementation, as well as the Status of Agreements Between Labor and Management, and All Measures Aimed at Preserving the Rights and Interests of Employees.

1. Benefits from the Company:

   Providing staff with diversified and considerate benefits, so that colleagues can focus on work without any worries, as well as a variety of leisure and entertainment and rich club activities, enabling employees to balance work and life and always maintain full vitality. The Company provides employee benefits as follows:

   (1) Humanized management and a comfortable working environment.
   (2) Weekends off, flexible leave system, leave calculation method better than that of the Labor Standards Act.
   (3) Annual travel subsidies.
   (4) Employee parking subsidies.
   (5) Providing high-value group insurances, ensuring medical quality and household economy.
   (6) Regular free and comprehensive health check every year, benefiting employees' physical and mental health.
   (7) Festival gift certificates and bonuses; Birthday gift certificates; marriage and funeral subsidies.
   (8) Organizing team-building activities occasionally.
   (9) Club activities and financial subsidies.
   (10) Comprehensive education and training system and subsidies.

   In order to improve employees' relations, the Company holds various ball games, sports meetings, family days, life lectures and other activities to enhance the interaction and connection among the Company and employees, supervisors and colleagues.

2. Benefits from the Employee Welfare Committee:

   The Company has established the Employee Welfare Committee according to regulations and made allocations to the employee welfare funds on a monthly basis. The Employee Welfare Committee plans and organizes annual domestic travel for employees, issues annual festival gift certificates, celebrates father's day and mother's day, and organizes the Company's year-end parties, etc.

3. Education and Training:

   In order to improve the quality of human resources and meet the needs of the Company's future internationalization and enterprise operation and management, the Company has established Measures for the Administration of Education and Training and provides a complete on-the-job training system, increases on-the-job professional skills and management training, provides subsidies for training expenses, provides a complete training system for new employees to help them quickly integrate into the organizational team, to meet the needs of personal development, enabling employees to enjoy a full range of growth environment and space.

4. Retirement System and Implementation:
   In accordance with the provisions of the "Labor Pension Act", the Company contributes 6% of the monthly salary as labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor (hereinafter "the Bureau") for employees covered by the Act. Employees may voluntarily submit pension deposits within 6% of their monthly income from professional practice. The employee's pension deposits voluntarily contributed by themselves may be deducted in full from his/her annual comprehensive income of the year. In addition, if the employee meets the retirement eligibility stipulated in the "Labor Standards Act" and applies for retirement, the Company will, according to the previous standards, pay the pension equivalent to two months' average wages for every full year of employment, pay the pension equivalent to one month's average wages for every full year of employment to whom has seniority of more then 15 years, up to a maximum of 45 months. In accordance with the Labor Standards Act, the Group allocates 2% of the total salary of the employees as the pension fund, which is deposited in the special account of Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Reserve Fund.
5. Agreements between Labor and Management:
   The Company attaches great importance to labor relations, and adopts mostly communication and coordination methods to deal with labor and management so that both parties can get a common understanding to promote all work smoothly.

(II) Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes (Including Any Violations of the Labor Standards Act Found In Labor Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, the Substance of the Legal Violations, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

VI Important Contracts: None.

Chapter 6 Financial Conditions

I Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Fiscal Years

(I) Condensed Balance Sheet - adopting IFRSs

A. Consolidated Financial Reports

Unit: NT$ thousand

Item \ Year		Financial Data for the Most Recent Five Years 2015	2016	2017	2018	2019	Financial Data for the Current Fiscal Year up to March 31, 2020 (Note 3)
Current Assets		5,220,219	5,704,160	5,057,965	6,415,599	8,626,168	9,386,607
Property, Plant and Equipment		684,503	863,693	782,145	810,304	854,126	854,477
Intangible Assets		54,499	44,780	55,789	47,875	37,986	33,670
Other Assets		867,026	749,835	1,135,096	1,092,733	1,242,624	1,040,670
Total Assets		6,826,247	7,362,468	7,030,995	8,366,511	10,760,904	11,315,424
Current Liabilities	Before Distribution	2,342,310	2,219,675	1,903,937	2,940,851	3,845,836	4,549,607
	After Distribution	2,937,998	2,943,501	2,566,784	3,541,964	4,626,726 Note 1	5,330,497 Note 1
Non-current liabilities		114,390	126,265	128,814	219,988	309,376	299,580
Total liabilities	Before Distribution	2,456,700	2,345,940	2,032,751	3,160,839	4,155,212	4,849,187
	After Distribution	3,052,388	3,069,766	2,695,598	3,761,952	4,936,102 Note 1	5,630,077 Note 1
Equity Attributable to the Shareholders of the Parent Company		4,170,647	4,687,378	4,679,659	4,712,266	5,465,900	4,771,049
Share Capital		1,191,376	1,206,376	1,205,176	1,202,226	1,201,369	1,201,369
Capital Surplus		647,291	811,101	785,875	761,304	772,321	772,321
Retained Earnings	Before Distribution	2,356,301	2,799,023	2,766,102	3,026,335	3,569,736	3,840,986
	After Distribution	1,760,613	2,075,197	2,103,255	2,425,222	2,788,846 Note 1	3,060,096 Note 1
Other Equities		(24,321)	(129,122)	(77,494)	(277,599)	(77,526)	(262,737)
Treasury Shares		-	-	-	-	-	-
Non-controlling interest		198,900	329,150	318,585	493,406	1,139,792	914,298
Total Equity	Before Distribution	4,369,547	5,016,528	4,998,244	5,205,672	6,605,692	6,466,237
	After Distribution	3,773,859	4,292,702	4,335,397	4,604,559	5,824,802 Note 1	5,685,347 Note 1

Note 1: The amount approved by Board of Directors on March 13, 2020

Note 2: The financial data from 2015 to 2019 has been audited and certified by the CPAs.

Note 3: The financial data for the first quarter of 2020 is the number reviewed by the CPAs.

(I) Condensed Balance Sheet - adopting IFRSs

B. Individual Financial Reports

Unit: NT$ thousand

Item		Financial Data for the Most Recent Five Years 2015	2016	2017	2018	2019
Current Assets		3,483,145	4,156,236	3,573,205	4,022,086	3,999,315
Property, Plant and Equipment		443,195	539,985	429,248	454,410	416,017
Intangible Assets		51,284	42,629	50,246	40,400	30,291
Other Assets		1,622,472	1,795,317	2,173,676	2,405,849	3,470,418
Total Assets		5,600,096	6,534,167	6,226,375	6,922,745	7,916,041
Current Liabilities	Before Distribution	1,360,875	1,776,952	1,476,132	2,135,760	2,348,613
	After Distribution	1,956,563	2,500,778	2,138,979	2,736,873	3,129,503 Note 1
Non-current Liabilities		68,574	69,837	70,584	74,719	101,528
Total Liabilities	Before Distribution	1,429,449	1,846,789	1,546,716	2,210,479	2,450,141
	After Distribution	2,025,137	2,570,615	2,209,563	2,811,592	3,231,031 Note 1
Equity Attributable to the Shareholders of the Parent Company		4,170,647	4,687,378	4,679,659	4,712,266	5,465,900
Share Capital		1,191,376	1,206,376	1,205,176	1,202,226	1,201,369
Capital Surplus		647,291	811,101	785,875	761,304	772,321
Retained Earnings	Before Distribution	2,356,301	2,799,023	2,766,102	3,026,335	3,569,736
	After Distribution	1,760,613	2,075,197	2,103,255	2,425,222	2,788,846 Note 1
Other Equities		(24,321)	(129,122)	(77,494)	(277,599)	(77,526)
Treasury Shares		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before Distribution	4,170,647	4,687,378	4,679,659	4,712,266	5,465,900
	After Distribution	3,574,959	3,963,552	4,016,812	4,111,153	4,685,010 Note 1

Note 1: The amount approved by Board of Directors on March 13, 2020

Note 2: The financial data from 2015 to 2019 has been audited and certified by the CPAs.

(I) Condensed Comprehensive Income Statement - adopting IFRSs

A. Consolidated Financial Reports

Unit: NT$ thousand

Item \ Year	Financial Data for the Most Recent Five Years (Note 1)					Financial Data for the Current Fiscal Year up to March 31, 2020(Note 2)
	2015	2016	2017	2018	2019	
Net Revenue	9,266,108	10,189,747	9,431,062	10,330,505	13,802,738	3,138,847
Gross profit	2,481,024	2,881,882	2,514,333	2,870,026	4,385,345	1,011,677
Income from operations	963,462	1,245,724	853,537	1,042,514	2,086,426	533,095
Non-Operating Income and Expenses	63,990	12,761	134,731	79,416	116,996	16,801
Income before Income Tax	1,027,452	1,258,485	988,268	1,121,930	2,203,422	549,896
Income from Continuing Operation	845,829	1,099,027	891,234	1,013,820	1,938,157	478,149
Loss from Discontinuing Operations	-	-	-	-	-	-
Net income	845,829	1,099,027	891,234	1,013,820	1,938,157	478,149
Other Comprehensive Income in the Current Period (Net After Tax)	(101,788)	8,718	(18,662)	(143,054)	194,609	(205,692)
Total Comprehensive Income for the Current Period	744,041	1,107,745	872,572	870,766	2,132,766	272,457
Net Income Attributable to Owners of Parent Company	835,434	1,041,837	873,158	840,363	1,230,588	291,416
Net Income Attributable to Non-controlling Interests	10,395	57,190	18,076	173,457	707,569	186,733
Total Comprehensive Income Attributable to Owners of the Parent Company	733,646	1,050,555	854,496	697,847	1,425,752	86,039
Total Comprehensive Income Attributable to Non-controlling Interests	10,395	57,190	18,076	172,919	707,014	186,418
Earnings Per Share	7.05	8.77	7.32	7.03	10.27	2.43

Note 1: The financial data from 2015 to 2019 has been audited and certified by the CPAs.

Note 2: The financial data for the first quarter of 2020 is the number reviewed by the CPAs.

(II) Condensed Comprehensive Income Statement - adopting IFRSs

B. Individual Financial Reports

Unit: NT$ thousand

Year / Item	Financial Data for the Most Recent Five Years				
	2015	2016	2017	2018	2019
Net Revenue	7,000,517	7,876,747	7,553,780	7,503,697	8,306,120
Gross profit	1,885,705	2,051,777	1,923,918	1,806,085	1,820,241
Income from operations	881,911	935,213	750,120	550,252	375,051
Non-Operating Income and Expenses	89,742	222,910	210,404	354,344	917,431
Income before Income Tax	971,653	1,158,123	960,524	904,596	1,292,482
Income from Continuing Operation	835,434	1,041,837	873,158	840,363	1,230,588
Loss from Discontinuing Operations	-	-	-	-	-
Net income	835,434	1,041,837	873,158	840,363	1,230,588
Other Comprehensive Income in the Current Period (Net After Tax)	(101,788)	8,718	(18,662)	(142,516)	195,164
Total Comprehensive Income for the Current Period	733,646	1,050,555	854,496	697,847	1,425,752
Earnings Per Share	7.05	8.77	7.32	7.03	10.27

Note 1: The financial data from 2015 to 2019 has been audited and certified by the CPAs.

(III) Name of CPAs and Their Opinions for Most Recent 5 Years

Certified Year	Name of Accounting Firm	Name of the CPA	Auditor's Opinion
2015	Deloitte & Touche	Su-Li Fang, Yu-Feng Huang	Unqualified Opinion
2016	Deloitte & Touche	Su-Li Fang, Yu-Feng Huang	Unqualified Opinion
2017	Deloitte & Touche	Cheng-Chih Lin, Yu-Feng Huang	Unqualified Opinion
2018	Deloitte & Touche	Cheng-Chih Lin, Yu-Feng Huang	Unqualified Opinion
2019	Deloitte & Touche	Cheng-Chih Lin, Yu-Feng Huang	Unqualified Opinion

II Financial Analysis of the Most Recent Five Fiscal Years

(I) Financial Data adopting IFRSs

A. Consolidated Financial Reports

Item analyzed \ Year		Financial Analysis for the Most Recent Five Years					The Current Fiscal Year up to March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Financial Structure	Debt-To-Asset Ratio	35.98	31.86	28.91	37.77	38.61	49.75
	Long term capital to property, plant and equipment ratio	655.06	595.44	655.51	669.58	809.6	700.41
Solvency	Current Ratio	222.86	256.98	265.65	218.15	224.29	176.09
	Quick Ratio	156.18	180.33	170.62	143.43	170.12	128.99
	Times Interest Earned (Times)	120.93	849.60	257.16	122.06	204.66	267.29
Operating Ability	Receivables Turnover Rate (Times)	10.81	11.81	9.74	8.72	10.00	9.48
	Average Collection Days	33.76	30.90	37.47	41.85	36.50	38.50
	Inventory Turnover Rate (Times)	5.85	5.05	4.12	3.92	4.73	3.96
	Payables Turnover Rate (Times)	6.28	5.70	5.50	5.51	5.16	4.09
	Average Days of Sales	62.39	72.27	88.59	93.11	77.16	92.17
	Property, Plant and Equipment Turnover Rate (Times)	13.15	13.16	11.46	12.97	16.58	14.69
	Total Asset Turnover Rate (Times)	1.40	1.43	1.31	1.34	1.44	1.13
Profitability	Return on Assets (%)	12.97	15.50	12.42	13.26	20.35	17.43
	Return on Equity (%)	19.99	23.41	17.79	19.87	32.81	31.12
	Pre-tax Income to Paid-in Capital Ratio (%)	86.24	104.31	82.00	93.32	183.40	183.08
	Net Profit Margin (%)	9.12	10.78	9.44	9.81	14.04	15.23
	Earnings Per Share (NT$)	7.05	8.77	7.32	7.03	10.27	2.43
Cash Flow	Cash Flow Ratio (%)	58.31	49.45	30.72	35.43	88.52	3.00
	Cash Flow Adequacy Ratio (%)	108.38	96.29	88.11	100.47	134.79	123.47
	Cash Flow Reinvestment Ratio (%)	16.80	8.73	(2.41)	6.28	36.79	2.39
Leverage	Operating Leverage	8.21	7.00	9.32	8.37	5.64	4.96
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Please state the reasons for the changes in financial ratio within the most recent two years: (exempt from analysis if the change is less than 20%)

1. Financial structure: As a result of the substantial growth of profits in 2019 and the increase of retained earnings transferred accordingly, the ratio of long-term funds to fixed assets increased.
2. Solvency: As a result of the substantial growth of profits in 2019 and only a slight increase in interest expenses, the Times Interest Earned (Times) increased.
3. Operating ability: As a result of the substantial growth of operating revenue and profits in 2019, the related turnover rate was higher than that of the same period last year.
4. Profitability: As a result of the substantial growth of operating revenue and profits in 2019, the profitability was higher than that of the same period last year.
5. Cash flow: As a result of the substantial growth of profits in 2019 and the increase of net profit before tax from the same period last year, the net cash inflow from operating activities was higher than that of the same period last year, and the related cash flow ratio was higher than that of the same period last year.
6. Leverage: The decrease of the operating leverage is caused by the increase in the net operating profit was higher than that in the operating revenue.

Note 1: The financial data for the first quarter of 2020 is the number reviewed by the CPAs.

(I) Financial Data adopting IFRSs

B. Individual Financial Reports

Item analyzed	Year	2015	2016	2017	2018	2019
		Financial Analysis for the Most Recent Five Years				
Financial Structure	Debt-To-Asset Ratio	25.52	28.26	24.84	31.93	30.95
	Long term capital to property, plant and equipment ratio	956.51	880.99	1,106.64	1,053.45	1,338.26
Solvency	Current Ratio	255.94	233.89	242.06	188.32	170.28
	Quick Ratio	170.79	159.36	155.61	120.23	122.95
	Times Interest Earned (Times)	453.14	13,625.97	296.36	115.41	162.70
Operating Ability	Receivables Turnover Rate (Times)	11.08	10.61	8.32	8.15	9.08
	Average Collection Days	32.94	34.40	43.87	44.78	40.19
	Inventory Turnover Rate (Times)	6.64	5.44	4.55	4.39	5.41
	Payables Turnover Rate (Times)	7.05	5.85	5.35	5.60	5.14
	Average Days of Sales	54.96	67.09	80.21	83.14	67.46
	Property, Plant and Equipment Turnover Rate (Times)	15.02	16.02	15.58	16.98	19.08
	Total Asset Turnover Rate (Times)	1.25	1.29	1.18	1.14	1.11
Profitability	Return on Assets (%)	15.01	17.17	13.72	12.87	16.67
	Return on Equity (%)	20.52	23.52	18.64	17.89	24.18
	Pre-tax Income to Paid-in Capital Ratio (%)	81.55	96.00	79.69	75.24	107.58
	Net Profit Margin (%)	11.93	13.22	11.55	11.19	14.81
	Earnings Per Share (NT$)	7.05	8.77	7.32	7.03	10.27
Cash flow	Cash Flow Ratio (%)	86.28	37.76	47.76	29.47	58.25
	Cash Flow Adequacy Ratio (%)	116.00	95.29	91.48	97.82	97.30
	Cash Flow Reinvestment Ratio (%)	14.15	1.47	(0.36)	(0.64)	12.84
Leverage	Operating Leverage	6.93	7.35	8.66	11.61	18.73
	Financial Leverage	1.00	1.00	1.00	1.01	1.02

Please state the reasons for the changes in financial ratio within the most recent two years: (exempt from analysis if the change is less than 20%)

1. Financial structure: As a result of the substantial growth of profits in 2019 and the increase of retained earnings transferred accordingly, the ratio of long-term funds to fixed assets increased.
2. Solvency: As a result of the substantial growth of profits in 2019 and only a slight increase in interest expenses, the Times Interest Earned (Times) increased.
3. Operating ability: The increase or decrease was less than 20%.
4. Profitability: As a result of the substantial growth of operating revenue and profits in 2019, the profitability was higher than that of the same period last year.
5. Cash flow: As a result of the substantial growth of profits in 2019 and the increase of net profit before tax from the same period last year, the net cash inflow from operating activities was higher than that of the same period last year, and the related cash flow ratio was higher than that of the same period last year.
6. Leverage: As a result of the decrease in the operating profit over last year, the operating leverage increased.

The formula for calculating the financial ratio is as follows:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Times Interest Earned (Times) = net profit before tax and interest expense / interest expense of the current period.
3. Operating ability
   (1) Receivables (including accounts receivable and notes payable arising from business) turnover ratio = net sales / average receivables of each period (including accounts receivable and notes payable arising from business).
   (2) Average collection days = 365 / receivables turnover.
   (3) Inventory turnover rate= cost of sales / average inventories.
   (4) Payables (including accounts payable and notes payable arising from business) turnover ratio = net sales revenue / average payables for each period (including accounts payable and notes payable arising from business).
   (5) Average days for sale = 365 / inventory turnover rate.
   (6) Property, plant and equipment turnover rate = net sales / average balance of net property, factory and equipment.
   (7) Total asset turnover rate = net sales / average total assets.
4. Profitability
   (1) Return on assets = [post-tax profit or loss + interest expense x (1 - tax rate)] / average total assets.
   (2) Return on equity = post-tax profit or loss / average total equity.
   (3) Net profit margin = post-tax profit or loss / net sales.
   (4) Earnings per share = (net gain or loss attributable to owners of the parent company - preferred stock dividend) / weighted average number of shares outstanding.
5. Cash flow
   (1) Cash flow ratio = net cash flow rising from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years / (capital expenditure + inventory increase + cash dividend) in the most recent five years.
   (3) Cash re-investment ratio = (net cash flow rising from operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage = (net operating income - changes in operating costs and expenses) / operating income.
   (2) Degree of Financial leverage (DFL) = operating profit / (operating profit - interest expense).

III Audit Committee's Review Report for the Most Recent Annual Financial Reports

Sitronix Technology Corp

Audit Committee's Review Report

The Board of Directors has prepared the Company's business report, financial statements and the earnings distribution proposal for 2019, in which the financial statements have been audited by Deloitte & Touche Taipei, Taiwan Republic of China with the audit report issued. The above business statement, financial statement and earnings distribution proposal have been verified by the Audit Committee and deemed as appropriate, and reported as above in accordance with the relevant provisions of the Securities Exchange Act and the Company Act for approval.

Sincerely,

2020 Regular Shareholders' Meeting of Sitronix Technology Corp

Sitronix Technology Corp

Convener of the Audit Committee: Cheng-Chieh Dai

March 13, 2020

IV Consolidated Financial Statements of the Most Recent Year with Independent Auditors’ Report and Notes

Please refer to Page 92~176 of the Annual Report.

V Parent Company Only Financial Statements of the Most Recent Year with Independent Auditors’ Report and Notes

Please refer to Page 177~254 of the Annual Report.

VI If the Company or its Affiliates have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report shall Explain how Said Difficulties will Affect the Company's Financial Situation: None.

Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance

I Review and Analysis of Financial Conditions

Unit: NT$ thousand

Item \ Year	2019	2018	Differences		Remarks
			Amount	Ratio (%)	
Current assets	8,626,168	6,415,599	2,210,569	34%	
Property, Plant and Equipment	854,126	810,304	43,822	5%	
Intangible Assets	37,986	47,875	(9,889)	-21%	
Other Non-current Assets	1,242,624	1,092,733	149,891	14%	
Total Assets	10,760,904	8,366,511	2,394,393	29%	
Current Liabilities	3,845,836	2,940,851	904,985	31%	
Non-current Liabilities	309,376	219,988	89,388	41%	
Total Liabilities	4,155,212	3,160,839	994,373	31%	
Share Capital	1,201,369	1,202,226	(857)	0%	
Capital Surplus	772,321	761,304	11,017	1%	
Retained Earnings	3,569,736	3,026,335	543,401	18%	
Other Equities	(77,526)	(277,599)	200,073	72%	
Non-controlling Interest	1,139,792	493,406	646,386	131%	
Total Equity	6,605,692	5,205,672	1,400,020	27%	

Explanation on the change of 20% or more in the current period over the previous period, and the amount of change up to NT$10 million or more:

1. Increase of current assets: it is caused by the increase in cash and cash equivalents and the increase in financial assets measured at amortized cost.
2. Increase of total assets: it is caused by the increase in current assets, financial assets at fair value through other comprehensive income, right of use assets and other non-current assets.
3. Increase of current liabilities: it is caused by the increase in accounts payable, other payables and current income tax liabilities.
4. Increase of non-current liabilities: it is caused by the increase in guarantee deposits.
5. Increase in total liabilities: it is caused by the increase in current and non-current liabilities.
6. Increase in other equities: it is mainly caused by the impact of changes in the unrealized valuation gains and loss from financial assets measured at fair value through other comprehensive income.
7. Increase in non-controlling interest: it is caused by the increase in the subsidiary's profits.
8. Increase in total equity: it is caused by the increase in retained earnings and increase in non-controlling equity.

Note: The financial position for the years 2019 and 2018 is presented with the consolidated financial data.

II Review and Analysis of Financial Performance

Unit: NT$ thousand

Item \ Year	2019	2018	Increase (Decrease) Amount	Changes Ratio (%)
Net Revenue	13,802,738	10,330,505	3,472,233	34%
Gross profit	4,385,345	2,870,026	1,515,319	53%
Income from operations	2,086,426	1,042,514	1,043,912	100%
Non-Operating Income and Expenses	116,996	79,416	37,580	47%
Income before Income Tax	2,203,422	1,121,930	1,081,492	96%
Net income	1,938,157	1,013,820	924,337	91%
Other Comprehensive Income in the Current Period(Net After Tax)	194,609	(143,054)	337,663	236%
Total Comprehensive Income for the Current Period	2,132,766	870,766	1,262,000	145%
Net Income Attributable to Owners of Parent Company	1,230,588	840,363	390,225	46%
Net Income Attributable to Non-controlling Interests	707,569	173,457	534,112	308%
Total Comprehensive Income Attributable to Owners of the Parent Company	1,425,752	697,847	727,905	104%
Total Comprehensive Income Attributable to Non-controlling Interests	707,014	172,919	534,095	309%

1. Explanation on the change of 20% or more in the current period over the previous period, and the amount of change up to NT$10 million or more:
   (1) Increase in net revenue and gross profit:
   As a result of the substantial growth of the subsidiary's operating revenue, in addition to the mobile phone products, other product lines also made a breakthrough in performance, the operating revenue and gross margin increased simultaneously.
   (2) Increase in income from operations:
   As a result of appropriate control over the increase in operating revenue, operating gross margin and operating expenses, the operating profit increased.
   (3) Increase in non-operating income and expenses:
   It is caused by the increase in interest income, other income and net interest on financial assets measured at fair value through profit or loss.
   (4) Increase in income before income tax, net income, total comprehensive income for the current period and net income attributable to the owners of the parent company:
   It is caused by the growth of operating revenue, and the increase in gross profit and non-operating income.
   (5) Increase in other comprehensive income in the current period:
   It is caused by the increase in the unrealized gains and loss from financial assets measured at fair value through other comprehensive income.
   (6) Increase in net income attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests:
   It is caused by the increase in the subsidiary's profits.
2. The sales volume forecast and the basis thereof, and the possible impacts on the Company's future financial operations and response plans:
   The sales volume forecast in the next year depends on the industrial boom and the changes in market supply and demand. The Company has been actively developing new products to prepare a complete product line and provide customer solutions for future growth and development.

Note: The financial position for the years 2019 and 2018 is presented with the consolidated financial data.

III Review and Analysis of Cash Flow

(I) Changes in Cash Flow of the Current Year

Beginning Cash Balance	Net Cash Flow From Operating Activities Throughout The Year	Net Cash Flow From Investment and Financing Activities Throughout The Year	Cash Surplus (Deficit)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
2,060,229	3,404,581	(2,532,163)	2,932,647	-	-

Analysis of changes:

(1) Operating activities: net cash inflow generated from operating activities is mainly cash income from operating income.

(2) Investment activities and financing activities: mainly include continuing investments in the cost of masks and other equipments for the research and development of new products this year, purchasing property, plant and equipment, financial assets and bond investments, depositing the time deposits of more than 3 months and paying cash dividends.

(II) Remedial Measures for Cash Deficit and Liquidity Analysis: Not applicable.

(III) Cash Liquidity Analysis for the Coming Year:

Unit: NT$ thousand

Beginning Cash Balance	Projected Net Cash Flow From Operating Activities Throughout The Year	Projected Net Cash Flow From Investment and Financing Activities Throughout The Year	Projected Cash Surplus (Deficit)	Remedial Measures for Projected Cash Deficit	
				Investment Plan	Financial Plan
2,932,647	3,455,239	(200,615)	6,187,271	$ -	$ -

Analysis of changes:

(1) Operating activities: mainly due to the projected continued growth of operating profit in 2020 and the active control of related expenses and losses and inventory turnover.

(2) Investment activities and financing activities: mainly include projected activities such as continuous investments in the cost of masks and other equipments for the research and development of new products in 2020, purchase of property, plant and equipment, financial assets investments, cash capital increase in subsidiaries and the payment of cash dividends.

IV Impact of any Major Capital Expenditures during the Most Recent Fiscal Year

(I) The Use and Funding Sources of Major Capital Expenditures: None.

(II) Projected benefits: None.

V Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year

The reinvestment policy of the Group is to focus on the core business, carry out investments in line with the business strategy, business expansion and long-term development, in order to increase operating revenue and profits. To conduct investment evaluation on the location, organization, shareholding ratio, financial condition and other aspects of the reinvestment in another enterprise as the basis for the reinvestment of the management; The Group also regularly evaluates the investment profit and loss status of the invested enterprises. In addition, the Company has enacted "Supervisory Measures for Subsidiaries" to supervise the operation status of the subsidiary company and set up an operation management mechanism in order to maximize the synergy of the Group.

The Company adopted the equity method to recognize the investment gains of NT$ 834,811 thousand dollars in the year 2019. Please refer to "The Company's Individual Financial Report Audited and Certified by CPAs for the Most Recent Fiscal Years" in "Chapter VI. Financial Conditions" for the recognition of profit and loss.

The investment plan for the coming year will be evaluated separately according to the overall industrial situation and the Company's business needs.

VI Risk matters and Assessment

(I) The Effect upon the Company's Profits (Losses) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to be Taken in the Future

1. The Effect upon the Company's Profits (Losses) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate
   The Group mostly uses its own funds to support its operation needs, thus has low demand for bank loans. Any loans it made is based on the consideration of the risk hedging of exchange rate with modest amount, and the borrowing cost increase from rising interest rate will not have greatly impact on the Group.
   The Group's purchases and sales are mainly in US dollars, thus some exchange risks have been automatically avoided. In view of the impact of dollar exchange rate fluctuations on the Company's profits and losses, forward foreign exchange contracts and dollar loans are mainly adopted, so as to lower the risk of exchange rate fluctuations.
   There was no material impact on the Group's annual profit or loss due to inflation.
2. Response Measures to be Taken in the Future for the Effect of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate
   In the future, the Group will continue to collect information on exchange rate fluctuations and pay attention to the global trend of favorable exchange rate, timely adjust foreign currency positions to reduce the impact of exchange rate fluctuations, and choose low-cost foreign exchange hedging instruments to avoid exchange rate risks according to the relevant regulations of the Company.

(II) The Company's Policy Regarding High-Risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Transactions; the Main Reasons for the Profits/Losses Generated thereby; and Response Measures to be Taken in the Future.

1. The Group is not engaged in high-risk and highly leveraged financial investments.
2. The Group has formulated "Operational Procedures for Loaning Funds to Others", "Operational Procedures for Endorsements/Guarantees" and "Handling Procedure to Engage in the Transaction of Derivative Products", and the relevant operations are conducted in accordance with the above procedures.
3. The Company is engaged in the transaction of derivative commodities, mainly for the purpose of risk hedging, or engaged in the financial commodities related to the Company's business operations, to ensure the Company's operating profit.

(III) Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work

Please refer to the description of "Chapter V. Operations Overview - New Products (Services) Planned for Development" in this annual report for the research and development plan for this year. The R&D manpower and expenditure that the Group continues to invest in the coming year are estimated to account for approximately 10%-15% of the operating revenue. The Group will carefully assess the market risks and expected investment returns before investing in various R&D expenses.

(IV) Effect on the Company's Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to be Taken in Response

There is no material impact on the Company's financial operations from important policies adopted and changes in the legal environment at home and abroad. In the future, the Company will obtain relevant information from time to time and develop necessary countermeasures to meet the Company's operational needs.

(V) Effect on the Company's Financial Operations of Developments in Science and Technology as well as Industrial Change, and Measures to be Taken in Response

The IC industry is changing rapidly, as well as the technology advancing, which will affect the members of the industry to a certain extent. If the Company fails to timely adjust its strategy or launch competitive products in line with technology changes or industry changes, it may have a negative impact on the Company's financial business. In order to avoid adverse effects caused by changes in industry and technology, the Group always pays attention to and evaluates the possible impact of those changes, and proposes effective response strategies and develops products that meet market demand, so that the Group is able to timely launch competitive products, maintain and improve the Company's competitive strategy.

(VI) Effect on the Company's Crisis Management of Changes in the Company's Corporate Image, and Measures to be Taken in Response

The Company is currently a public company with good reputation and business performance, and will continue to improve the product quality and service to maintain a good corporate image in the future, thus there is no effect on the Company's crisis management.

(VII) Expected Benefits and Possible Risks Associated with Any Merger and Acquisitions, and Mitigation Measures being or to be Taken

The Group has no plans for mergers or acquisitions.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures being or to be Taken

The Group is a IC design company, with all manufacturing outsourced, thus it is not applicable.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures being or to be Taken

For a professional IC design company without wafer manufacturing plant, it is necessary to consider the capacity, equipment, quality yield, process technology and confidentiality to select a suitable foundry. Therefore, the consolidation of purchasing is the characteristics of domestic IC design industry. The Company has distributed the source of purchase to TSMC, UMC and Magnachip, and maintained a long-term stable cooperative relationship with the packaging and testing manufacturers to eliminate the risk of consolidation of purchasing.

In terms of sales, the Group's products are widely applied in multiple aspects, with two modes of sales counterparty: agents and manufacturers. The Group distinguishes different agents according to sales area and sales conditions, has dedicated application engineers to directly contact the end customers and provide technical services for the products sold through agents. Therefore, there is no risk of consolidation of sales based on calculation for end-customers.

(X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken

There is no event that the a major quantity of shares belonging to a director or the major shareholders holding more than 10% stake in the Group has been transferred or has otherwise changed hands.

(XI) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or top Management, and Mitigation Measures being or to be Taken: None.

(XII) Litigious And Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes That Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than

10 Percent, and/or Any Company or Companies Controlled by the Company; and Have Been Concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report.

As of the date of publication of the annual report, the Company did not incur any such matters.

(XIII) Other Important Risks, and Mitigation Measures being or to be Taken

Based on the requirements of risk control, the Company adopts a complete set of control measures for information security, including policies, organizations, processes, software and hardware tools to meet the management requirements, and by planning, operation, supervision and continuous improvement measures, ensures that the Company is protected from improper threats, so as to reduce management risk.

The information security strategy of the Company is as follows:

1. Strengthen protection: Use new protection technologies to cope with the constantly changing information application environment, and build up the awareness of colleagues on information security, so as to construct a comprehensive information security protection network.
2. Risk-oriented: Identify environmental management intensity and potential impacts to determine the investment of information security management resources based on the overall objectives of the Company's operations and considering the internal and external risk status.
3. Continuous improvement: Continuously review and improve the methods and practices of security management through external intelligence gathering and internal security incidents.

Based on the Company's information security management standards, in accordance with the internal and external regulatory and audit requirements, the System Services Department takes charge to implement the company-wide information security work, and regularly reports the operation status to the operations director. Major duties:

1. Access control
   - 1.1 Coordinate with the Human Resources Department to synchronize the process of dimission of personnel with the change of job type and the access control of internal system, and check periodically to ensure the consistency of the actual operations and access management.
   - 1.2 Remote access operations are regulated via VPN and RDP protocol to ensure access capability and a regulated operating environment.
   - 1.3 Manage and control external or temporary accounts.
2. Endpoint protection:
   - 2.1 Provide the first layer of protection against external network attacks through network operators, and deploy necessary protection tools such as UTM, Firewall and Anti-SPAM on the physical and application layers of external network.
   - 2.2 Establish regional protection for Intranet by hierarchy and by partition, and deploy protection software for the host and personal client.
3. Accident supervision
   - 3.1 Detect information security issues and identify the true cause of security incidents based on the log file and monitoring function of hardware and software tools, and the third party security service.
   - 3.2 Regularly review important issues and continuously enhance the information security management ability.

4. Data preservation
   4.1 Develop sound data backup and archiving policies, and use storage technologies and cloud services to ensure that all levels of data can properly generate data snapshot, can be backed up, remotely replicated and archived by a third-party, improve data protection and establish the basic capacity for disaster recovery.
   4.2 A fully isolated virtual work environment is used for highly confidential information, coupled with DLP tools to ensure that confidential information does not leak out.

VII Other Important Matters

None.

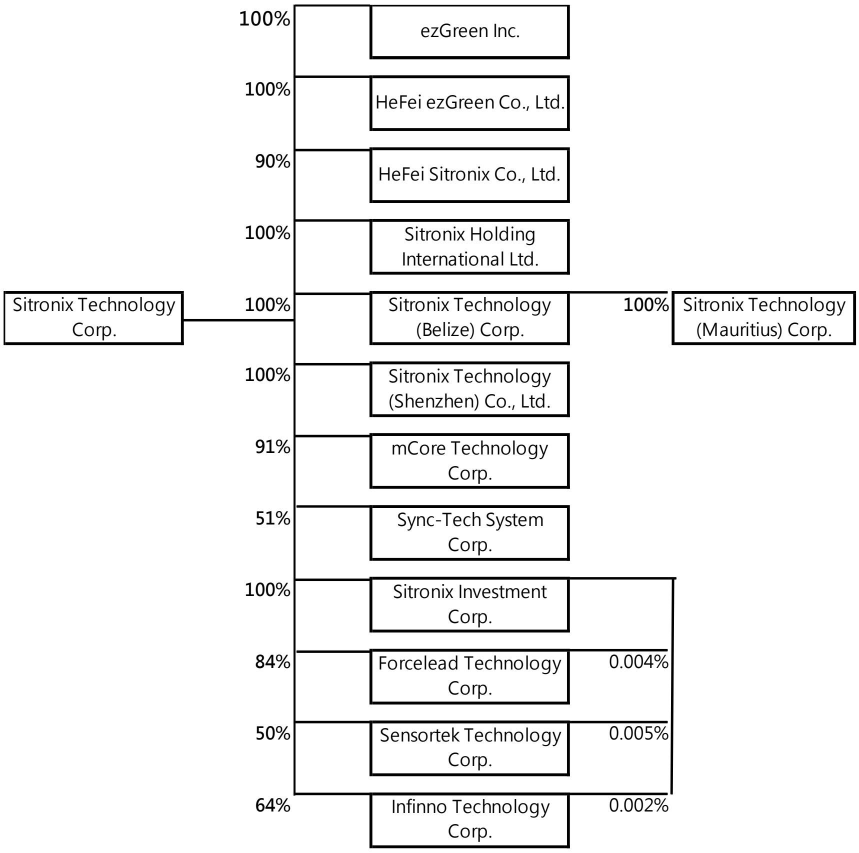
Chapter 8 Special Notes

I Affiliates Information

(I) Consolidated Business Reports Covering Affiliated Enterprises

1. Overview of Affiliated Enterprises

(1) Organizational Chart of the Affiliates (December 31, 2019)



(2) Basic Information of Affiliates

Name of Affiliates	Date of Establishment	Place of Registration	Paid-in Capital (thousand dollar)	Main Business Items
Sitronix Technology (Belize) Corp.	2003.06.27	Belize	USD 2,000	International trade
Sitronix Technology (Mauritius) Corp.	2003.07.11	Mauritius	USD 2,000	International trade
mCore Technology Corp.	2009.12.03	Hsinchu, Taiwan	NT$ 105,627	Provide a complete integrated solution with software and hardware for system chips for electronic payment applications and digital signal processors for digital music applications
Infinno Technology Corp.	2009.12.02	Hsinchu, Taiwan	NT$ 207,690	Design of professional power management solutions integrated circuit
Sensortek Technology Corp.	2009.12.01	Hsinchu, Taiwan	NT$ 377,813	R&D, design and sales of sensor integrated circuit products

Name of Affiliates	Date of Establishment	Place of Registration	Paid-in Capital (thousand dollar)	Main Business Items
Forcelead Technology Corp.	2009.12.11	Hsinchu, Taiwan	NT$ 392,065	R&D and sales of small-size LCD driver chips and touch integrated driver chips
Sitronix Technology (Shenzhen) Co., Ltd.	2003.11.24	Shenzhen, Mainland China	USD 400	R&D and sales of computer software, hardware and after-sales service business and provide related technical consulting services
Sitronix Investment Corp.	2012.12.21	Hsinchu, Taiwan	NT$ 329,772	General investment
Sync-Tech System Corp.	2014.02.06	Hsinchu, Taiwan	NT$ 193,770	Design, manufacture and maintenance of probe card
Sitronix Holding International Ltd.	2017.12.05	Samoa	USD 2,000	General investment
HeFei Sitronix Co., Ltd.	2018.03.22	HeFei, Mainland China	RMB 22,500	R&D, design and sales of integrated circuit and system hardware and software, and technical services
HeFei ezGreen Co., Ltd.	2018.03.22	HeFei, Mainland China	RMB 2,000	R&D, design and sales of supplier management software, and technical services
ezGreen Inc.	2019.01.17	New Taipei City, Taiwan	NT$ 30,000	Information software services, electronic information supply services

(3) Where Companies Presumed to Have a Relationship of Control and Subordination under Article 369-3 of the Company Act: None.

(4) The Industries Covered by the Business Operated by the Affiliates Overall

Name of Affiliates	Main Business Items
Sitronix Technology (Belize) Corp.	International trade
Sitronix Technology (Mauritius) Corp.	International trade
Sitronix Technology (Shenzhen) Co., Ltd.	R&D and sales of computer software, hardware and after-sales service business and provide related technical consulting services
mCore Technology Corp.	Provide a complete integrated solution with software and hardware for system chips for electronic payment applications and digital signal processors for digital music applications
Infinno Technology Corp.	Design of professional power management solutions integrated circuit
Sensortek Technology Corp.	R&D, design and sales of sensor integrated circuit products
Forcelead Technology Corp.	R&D and sales of small-size LCD driver chips and touch integrated driver chips
Sitronix Investment Corp.	General investment
Sync-Tech System Corp.	Design, manufacture and maintenance of probe card
Sitronix Holding International Ltd.	General investment
HeFei Sitronix Co., Ltd.	R&D, design and sales of integrated circuit and system hardware and software, and technical services
HeFei ezGreen Co., Ltd.	R&D, design and sales of supplier management software, and technical services
ezGreen Inc.	Information software services, electronic information supply services

(5) The Names of the Directors, Supervisors or General Managers of Each Affiliates, and their Shareholding or Capital Contribution in Such Affiliate

December 31, 2019

Name of Affiliates	Title	Name or Representative	Shareholding	
			Number of Shares (Thousand share)	Shareholding Ratio
Sitronix Technology (Belize) Corp.	Director	Vincent Mao	-	-
Sitronix Technology (Mauritius) Corp.	Director	Vincent Mao	-	-
Sitronix Technology (Shenzhen) Co., Ltd.	Director	Sitronix Technology Corp.	Capital contribution	100%
		Representative: Chien-Lung Lee	-	-
mCore Technology Corp.		Sitronix Technology Corp.	9,583	91%
	Director	Representative: Vincent Mao	-	-
	Chairman & General Manager	Representative: I-Hsi Cheng	-	-
	Director	Representative: Wei Wang	-	-
	Supervisor	Shu-Fang Hsu	-	-
Infinno Technology Corp.		Sitronix Technology Corp.	13,290	64%
	Director	Representative: Vincent Mao	-	-
	Chairman	Representative: Ju-Hung Chen	-	-
	Director	Representative: Chun-Sheng Lin	-	-
	Supervisor	Shu-Fang Hsu	-	-
		Compal Electronics, Inc.	5,650	27%
	Director	Representative: Tsung-Pin, Weng	111	1%
	Director	Representative: Shih-An Li	-	-
	Supervisor	Chiu-Jui Wei	-	-
Sensortek Technology Corp.		Sitronix Technology Corp.	19,056	50%
	Director	Representative: Vincent Mao	277	1%
	Chairman	Representative: Sheng-Su Lee	59	-
	Director & General Manager	Representative: Jhu-Yuan Yang	10	-
	Director	Hua-Cheng Tseng	-	-
	Independent Director	Jen-Chi Lu	-	-
	Independent Director	Chun-I Hsu	-	-
	Independent Director	Shu-Chun Huang	-	-
Forcelead Technology Corp.		Sitronix Technology Corp.	32,987	84%
	Chairman	Representative: Vincent Mao	831	2%
	Director & General Manager	Representative: Cheng-Lung Chiang	843	2%
	Director	Representative: Wei Wang	115	-
	Supervisor	Ju-Hung Chen	35	-
Sitronix Investment Corp.		Sitronix Technology Corp.	32,977	100%
	Chairman	Representative: Vincent Mao	-	-
	Director & General Manager	Representative: Min-Hui Chang	-	-
	Director	Representative: Shu-Fang Hsu	-	-
	Supervisor	Representative: Ju-Hung Chen	-	-
Sync-Tech System Corp.	Chairman	Ju-Hung Chen	694	4%
		Sitronix Technology Corp.	9,844	51%
	Director	Representative: Vincent Mao	100	1%
	Director & General Manager	Representative: Tsung-Jun Li	561	3%
	Director	Representative: Meng-Huang Liu	30	-
	Supervisor	Shu-Fang Hsu	-	-

Name of Affiliates	Title	Name or Representative	Shareholding	
			Number of Shares (Thousand share)	Shareholding Ratio
Sitronix Holding International Ltd.	Director	Vincent Mao	-	-
HeFei Sitronix Co., Ltd.		Sitronix Technology Corp.	Capital contribution	90%
	Director	Representative: Ju-Hung Chen	-	-
	Director	Representative: Chien-Yuan Chao	-	-
	Supervisor	Representative: Te-Yun Chou	-	-
		Shenzhen Qianhai Zhisheng Investment Co., Ltd.	Capital contribution	8%
	Director	Representative: Hui-Fang Peng	-	-
HeFei ezGreen Co., Ltd.	Director	Sitronix Technology Corp. Representative: Ying-Lun Mao	Capital contribution	100%
ezGreen Inc.	Director	Sitronix Technology Corp. Representative: Ying-Lun Mao	3,000	100%

2. Operations Overview of Affiliates

December 31, 2019

Unit: NT$ thousand except earnings per share in NT$

Name of Affiliates (Note1)	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (loss)	Profit after Tax for the Current Period	Earnings Per Share (after Tax)
Sitronix Technology (Belize) Corp.	65,213	107,724	-	107,724	-	-	4,029	2.01
Sitronix Technology (Mauritius) Corp.	65,213	107,723	-	107,723	-	(146)	4,029	2.01
Sitronix Technology (Shenzhen) Co., Ltd.	15,916	48,847	31,370	17,477	109,421	3,528	2,391	-
Sitronix Holding International Ltd.	58,510	79,038	-	79,038	-	-	1,230	0.61
mCore Technology Corp.	105,627	159,331	47,610	111,721	174,864	4,562	5,420	0.51
Infinno Technology Corp.	207,690	126,419	63,193	63,226	155,966	(20,773)	(16,010)	(0.77)
Sensortek Technology Corp.	377,813	3,257,565	1,434,311	1,823,254	4,806,152	1,497,236	1,322,900	35.01
Forcelead Technology Corp.	392,065	917,944	305,065	612,879	1,057,742	154,691	152,487	3.89
Sitronix Investment Corp.	329,772	363,372	5,151	358,221	-	(4,267)	3,021	0.09
Sync-Tech System Corp.	193,770	326,178	140,961	185,217	281,397	48,573	50,088	2.58
HeFei Sitronix Co., Ltd.	114,990	182,756	34,382	148,374	160,000	19,089	37,026	-
HeFei ezGreen Co., Ltd.	9,372	5,952	599	5,353	-	(3,176)	(3,104)	-
ezGreen Inc.	30,000	20,162	3,691	16,471	1,022	(13,527)	(13,530)	(4.51)

Note 1: If an affiliate is a foreign company, the related number of assets, liabilities and profit and loss are shown in NT dollars exchanged at the exchange rate on the reporting date.

(II) Consolidated Financial Statements Covering Affiliated Enterprises

Please refer to "IV. Consolidated Financial Report Audited and Certified by CPAs for The Most Recent Fiscal Years" in "Chapter VI. Financial Conditions" for the consolidated financial statements of the affiliated enterprises and refer to the Declaration in the subsequent page.

(III) Affiliation Reports

Not applicable.

II Any Private Placement of Securities Carried out by the Company During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

III Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

IV Other Matters that Require Additional Description: None.

V Matters that Materially Affect Shareholders' Equity or the Price of the Company's Securities Specified in Article 36,Paragraph 3, Item 2 of Securities and Exchange Act, Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates of Sitronix Technology Corporation for the year ended December 31, 2019 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standards 10 "Consolidated Financial Statements". In addition, the relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Sitronix Technology Corporation

By

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Vincent Mao
Chairman

March 13, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sitronix Technology Corporation and its subsidiaries (the Group), which comprise the balance sheets as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for the year ended December 31, 2019. 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.

The Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of sales revenue

The Group's main source of revenue comes from the sale of goods. For the year ended December 31, 2019, the revenue recognized was NT$13,802,738 thousand, please refer to Notes 4, 23 and 37 for information of accounting policy of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the production unit would issue packing lists and invoices from the system, the Group would obtain signed packing list or the bill of ladings on sight from the shipping companies when those shipping companies pick up the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Group whose annual revenue growth rates for 2019 have changed significantly to be subject to the risk of validity of revenue recognition. Therefore, our audit procedures performed with respect to these customers to confirm the validity of revenue recognition of the Group include the following:

1. We understood and tested the effectiveness of the design and implementation of the key internal controls over revenue recognition;

2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms;

3. We performed on-site interviews by sampling and understood the business process and relevance of sales revenue.

4. We sampled and inspected whether an original purchase order existed for each sale and was approved appropriately.

5. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent;

6. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

Other Matter

We have also audited the parent company only financial statements of Sitronix Technology Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect 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, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Cheng Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	2019 Amount	%	2018 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	$ 2,932,647	27	$ 2,060,229	25
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	130,727	1	133,677	2
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	323,364	3	216,918	3
Financial assets at amortized cost - current (Notes 4, 9, 31 and 34)	1,686,524	16	382,291	4
Notes receivable and trade receivables (Notes 4, 10 and 31)	1,398,378	13	1,359,075	16
Notes receivable and trade receivable from related parties (Notes 31 and 32)	454	-	39	-
Other receivables (Notes 10 and 31)	64,911	-	53,332	1
Inventories (Notes 4, 5 and 11)	1,909,664	18	2,071,021	25
Prepayments	173,801	2	126,479	1
Other current assets (Notes 17 and 31)	5,698	-	12,538	-
Total current assets	8,626,168	80	6,415,599	77
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	52,339	-	87,124	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	731,534	7	633,921	8
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	30,542	-	31,386	-
Property, plant and equipment (Notes 4 and 13)	854,126	8	810,304	10
Right-of-use assets (Notes 3, 4 and 14)	68,496	1	-	-
Investment properties (Notes 4 and 15)	301,625	3	330,559	4
Intangible assets (Notes 4 and 16)	37,986	-	47,875	-
Other non-current assets (Notes 17 and 31)	58,088	1	9,743	-
Total non-current assets	2,134,736	20	1,950,912	23
TOTAL	$ 10,760,904	100	$ 8,366,511	100

LIABILITIES AND EQUITY	2019 Amount	%	2018 Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 18, 29 and 31)	$ 278,814	3	$ 476,168	6
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	178	-	1,262	-
Trade payables (Notes 19 and 31)	2,085,145	19	1,560,675	19
Other payables (Notes 20 and 31)	805,665	8	521,254	6
Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 24)	293,193	3	195,831	2
Other payables to related parties (Notes 31 and 32)	98	-	-	-
Current tax liabilities (Notes 4 and 25)	317,778	3	142,911	2
Lease liabilities - current (Notes 3, 4, 14 and 29)	33,831	-	-	-
Other current liabilities (Notes 20, 23 and 31)	31,134	-	42,750	-
Total current liabilities	3,845,836	36	2,940,851	35
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	5,136	-	610	-
Lease liabilities - non-current (Notes 3, 4, 14 and 29)	31,431	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	46,646	1	51,318	1
Other non-current liabilities (Notes 29 and 32)	226,163	2	168,060	2
Total non-current liabilities	309,376	3	219,988	3
Total liabilities	4,155,212	39	3,160,839	38
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4, 22, 27 and 28)				
Share capital				
Ordinary shares	1,201,369	11	1,202,226	14
Capital surplus	772,321	7	761,304	9
Retained earnings				
Legal reserve	959,529	9	875,493	11
Special reserve	251,947	2	26,644	-
Unappropriated earnings	2,358,260	22	2,124,198	25
Total retained earnings	3,569,736	33	3,026,335	36
Other equity				
Exchange differences on translating the financial statements of foreign operations	(9,688)	-	(846)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(67,838)	-	(251,101)	(3)
Unearned compensation of employees	-	-	(25,652)	-
Total other equity	(77,526)	-	(277,599)	(3)
Equity attributable to shareholders of the parent	5,465,900	51	4,712,266	56
NON-CONTROLLING INTERESTS (Notes 12, 22 and 28)	1,139,792	10	493,406	6
Total equity	6,605,692	61	5,205,672	62
TOTAL	$ 10,760,904	100	$ 8,366,511	100

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

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 23 and 32)	$ 13,802,738	100	$ 10,330,505	100
OPERATING COSTS (Notes 4, 11, 24 and 32)	9,417,393	68	7,460,479	72
GROSS PROFIT	4,385,345	32	2,870,026	28
OPERATING EXPENSES (Notes 4, 10, 24 and 32)				
Selling and marketing expenses	235,678	2	173,113	2
General and administrative expenses	483,216	3	337,758	3
Research and development expenses	1,587,676	12	1,318,845	13
Expected credit loss (gain)	2,012	-	(2,204)	-
Total operating expenses	2,308,582	17	1,827,512	18
OTHER OPERATING INCOME AND EXPENSES	9,663	-	-	-
INCOME FROM OPERATIONS	2,086,426	15	1,042,514	10
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24)				
Other income	102,275	1	65,074	1
Other gains and losses	25,540	-	23,609	-
Finance costs	(10,819)	-	(9,267)	-
Total non-operating income and expenses	116,996	1	79,416	1
INCOME BEFORE INCOME TAX	2,203,422	16	1,121,930	11
INCOME TAX EXPENSE (Notes 4 and 25)	265,265	2	108,110	1
NET INCOME FOR THE YEAR	1,938,157	14	1,013,820	10
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss: (Notes 4, 21 and 22)				
Remeasurement of defined benefit plans	2,208	-	4,599	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	201,676	1	(147,430)	(2)

(Continued)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (9,397)	-	$ (441)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	122	-	218	-
Other comprehensive income (loss) for the year, net of income tax	194,609	1	(143,054)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,132,766	15	$ 870,766	8
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,230,588	9	$ 840,363	8
Non-controlling interests	707,569	5	173,457	2
	$ 1,938,157	14	$ 1,013,820	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,425,752	10	$ 697,847	7
Non-controlling interests	707,014	5	172,919	1
	$ 2,132,766	15	$ 870,766	8
EARNINGS PER SHARE (Note 26)				
Basic	$ 10.27		$ 7.03	
Diluted	$ 10.17		$ 6.94	

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

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent (Notes 4, 22 and 27)												
							Other Equity						
	Share Capital			Retained Earnings									
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Compensation of Employees	Total	Non-controlling Interests (Notes 12, 22, 27 and 28)	Total Equity
BALANCE AT JANUARY 1, 2018	120,518	$ 1,205,176	$ 785,875	$ 788,177	$ 8,728	$ 1,969,197	$ (943)	$ (25,701)	$ -	$ (50,850)	$ 4,679,659	$ 318,585	$ 4,998,244
EFFECT OF RETROSPECTIVE APPLICATION	-	-	-	-	-	81,235	-	25,701	(106,936)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	120,518	1,205,176	785,875	788,177	8,728	2,050,432	(943)	-	(106,936)	(50,850)	4,679,659	318,585	4,998,244
Appropriation of 2017 earnings													
Legal reserve	-	-	-	87,316	-	(87,316)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	17,916	(17,916)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(662,847)	-	-	-	-	(662,847)	-	(662,847)
Other changes in capital surplus													
Changes in percentage of ownership interests in subsidiaries	-	-	3,014	-	-	(70)	-	-	-	-	2,944	(2,944)	-
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	(5,337)	(5,337)	-	(5,337)
Restricted employee rights, new shares are not vested	(295)	(2,950)	(27,585)	-	-	-	-	-	-	30,535	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(3,047)	-	-	3,047	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	840,363	-	-	-	-	840,363	173,457	1,013,820
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	-	4,599	97	-	(147,212)	-	(142,516)	(538)	(143,054)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	844,962	97	-	(147,212)	-	697,847	172,919	870,766
Increase in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	23,689	23,689
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(18,843)	(18,843)
BALANCE AT DECEMBER 31, 2018	120,223	1,202,226	761,304	875,493	26,644	2,124,198	(846)	-	(251,101)	(25,652)	4,712,266	493,406	5,205,672
Appropriation of 2018 earnings													
Legal reserve	-	-	-	84,036	-	(84,036)	-	-	-	-	-	-	-
Special reserve.	-	-	-	-	225,303	(225,303)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(601,113)	-	-	-	-	(601,113)	-	(601,113)
Other changes in capital surplus													
Actual acquisition or disposal of interests in subsidiaries	-	-	(2,041)	-	-	(106,817)	-	-	-	-	(108,858)	-	(108,858)
Changes in percentage of ownership interests in subsidiaries	-	-	21,071	-	-	-	-	-	-	-	21,071	(13,705)	7,366
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	16,782	16,782	-	16,782
Restricted employee rights, new shares are not vested	(86)	(857)	(8,013)	-	-	-	-	-	-	8,870	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,535	-	-	(18,535)	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	1,230,588	-	-	-	-	1,230,588	707,569	1,938,157
Other comprehensive income (loss) for year ended December 31, 2019, net of income tax	-	-	-	-	-	2,208	(8,842)	-	201,798	-	195,164	(555)	194,609
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,232,796	(8,842)	-	201,798	-	1,425,752	707,014	2,132,766
Increase in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	32,542	32,542
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(79,465)	(79,465)
BALANCE AT DECEMBER 31, 2019	120,137	$ 1,201,369	$ 772,321	$ 959,529	$ 251,947	$ 2,358,260	$ (9,688)	$ -	$ (67,838)	$ -	$ 5,465,900	$ 1,139,792	$ 6,605,692

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

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,203,422	$ 1,121,930
Adjustments for:		
Depreciation expense	256,117	194,278
Amortization expense	31,894	29,177
Expected credit loss recognized (reversed) on trade receivables	2,012	(2,204)
Net (gain) loss on fair value changes of financial assets designated as at fair value through profit or loss	(22,688)	(15,700)
Finance costs	10,819	9,267
Interest income	(36,828)	(25,151)
Dividend income	(14,389)	(9,603)
Compensation costs of share-based payments	18,087	(5,206)
Gain on disposal of property, plant and equipment	(9,663)	(292)
Write-downs of inventories	70,271	47,288
Unrealized net loss (gain) on foreign currency exchange	4,590	(14,763)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	(61,498)	(365,564)
Receivables from related parties	(415)	(39)
Other receivables	(6,752)	16,801
Inventories	91,086	(383,239)
Prepayments	(47,842)	(52,118)
Other current assets	6,840	(6,693)
Trade payables	551,558	436,140
Payables to related parties	-	(3,806)
Other payables	290,669	48,406
Other payables to related parties	98	-
Other current liabilities	(11,740)	20,166
Net defined benefit liabilities	(2,464)	(1,638)
Accrued profit sharing bonus to employees' compensation and remuneration of directors	144,536	74,795
Cash generated from operations	3,467,720	1,112,232
Dividends received	32,069	23,329
Interest paid	(9,336)	(8,341)
Income tax paid	(85,872)	(85,225)
Net cash generated from operating activities	3,404,581	1,041,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(89,949)	(209,566)
Disposal of financial assets at fair value through other comprehensive income	88,293	72,596
Purchase of financial assets measured at cost	(3,415,634)	(627,441)
Proceeds from the return of principle of financial assets at amortized cost	2,111,401	428,652

(Continued)

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Acquisitions of financial assets at fair value through profit or loss	$ (55,796)	$ (243,385)
Disposal of financial assets at fair value through profit or loss	115,135	501,322
Net cash inflow on disposal of subsidiaries	59,010	-
Increase in prepayments for investment	(30,000)	-
Acquisition of property, plant and equipment	(243,273)	(217,892)
Proceeds from disposal of property, plant and equipment	15,002	411
Increase in refundable deposits	(6,066)	(446)
Payment of intangible assets	(22,062)	(21,261)
Increase in prepayments for equipment	(12,338)	(514)
Dividends received	14,389	9,603
Net cash used in investing activities	(1,471,888)	(307,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,392,658	3,149,754
Repayments of short-term borrowings	(2,586,807)	(2,692,255)
Proceeds from guarantee deposits received	58,221	97,377
Repayment of the principal portion of lease liabilities	(34,277)	-
Cash dividends distributed	(601,113)	(662,847)
Dividends paid to non-controlling interests	(79,465)	(18,843)
Increase (decrease) in non-controlling interests	(191,075)	18,350
Employee compensation is issued in stock are not vested	13,396	-
Net cash used in financing activities	(1,028,462)	(108,464)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(31,813)	12,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	872,418	638,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,060,229	1,421,885
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,932,647	$ 2,060,229

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

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sitronix Technology Corporation (the Company) was incorporated in Taipei City, Taiwan (R.O.C.) in July 1992 and commenced operations in the same year. The principal place of business is located in Tai Yuen Hi-Tech Industrial Park, Hsinchu County. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips and focuses on display driver ICs (DDIs) for entry-level mobile phones, industrial displays and automotive systems.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since December 25, 2003.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 13, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 sets out the accounting standards for leases that supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Definition of a lease</u>

      The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Except for payments under low-value asset and short-term leases which are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities, which is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for both the principal portion and the interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group applies IFRS 16 but does not restate comparative information.

Leases agreements classified as operating leases under IAS 17 are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group applied the following practical expedients:

a) The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate used by the Group to calculate lease liabilities recognized on January 1, 2019 is 2.47%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating leases on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating leases on December 31, 2018	$ 85,076
Less: Recognition exemption for short-term leases	(670)
Undiscounted gross amounts on January 1, 2019	$ 84,406
Discounted using the incremental borrowing rate on January 1, 2019	$ 80,587
Add: Adjustments as a result of a different treatment of extension and purchase options	4,682
Lease liabilities recognized on January 1, 2019	$ 85,269

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 91,959	$ 91,959
Prepayments	126,479	(520)	125,959
Total effect on assets	$ 126,479	$ 91,439	$ 217,918
Lease liabilities - current	$ -	$ 31,737	$ 31,737
Lease liabilities - non-current	-	53,532	53,532
Other noncurrent liabilities	168,060	6,170	174,230
Total effect on liabilities	$ 168,060	$ 91,439	$ 259,499

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group recognized the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e., the debtor) to prepay a debt instrument or permits the holder (i.e., the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e., a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group recognized the cumulative effect of retrospective application on retained earnings on January 1, 2019.

4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 12 and Tables 6 and 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates that use currencies different from the currency of the Company) are translated into the presentation currencies - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted - average cost on the balance sheet date.

g. Property, plant, and equipment

Property, plant and equipment are initially stated at cost and subsequently stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties is transferred to property, plant and equipment at the carrying amount on the day when the supply for self-use begins.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or relevant assets of contract is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or relevant assets of contract in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets mandatorily measured or designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, accounts receivable, other receivables measured at amortized cost, and time deposits with original maturities of over 3 months) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets.

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include short-term investments or time deposits with original maturities of less than three months, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends are recognized in profit and loss when the Group's right to receive the dividends is established, unless they clearly represent a recovery of part of the cost of the investment, in which case, they are included in OCI.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

i. Financial liabilities at FVTPL

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross currency swaps and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

l. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Sale of goods

Revenue from the sale of goods comes from sales of integrated circuits. Sales of integrated circuits are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Rendering of services

Service income is recognized when services are provided.

m. Leasing

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contain a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying the recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in the lease terms, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are recognized only when it is reasonably certain that the Group will comply with the conditions attached to the government grant and that the grant will be received.

Government grants are recognized in profit or loss on a systematic basis during the period in which the related costs that they intend to compensate are recognized as expenses by the Group. Specifically, government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognized as a deduction of the book value of the non-current assets, and recognized in profit or loss over the useful lives of the related assets through a reduction of the depreciation or amortization expenses of the non-current assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - unearned employee benefit. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the non-controlling interests, capital surplus - employee share options and capital surplus-restricted share options.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that (other than in the acquisition of a subsidiary) affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future years if the revision affects both current and future years.

a. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31 2019	December 31 2018
Bank deposits	$ 2,183,919	$ 1,522,563
Cash on hand	336	389
Cash equivalents	748,392	537,277
	$ 2,932,647	$ 2,060,229

The market rate intervals of bank deposits and cash equivalents at the end of the reporting period were as follows:

	December 31 2019	December 31 2018
Bank deposits	0.001%-2.27%	0.001%-3.50%
Cash equivalents	0.51%-2.25%	0.45%-0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Mandatorily measured at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts (a)	$ 2,308	$ 168
Non-derivative financial assets		
Convertible bonds	57,500	54,000
Foreign listed shares	31,513	-
Domestic mutual fund investments	31,131	31,045
Domestic listed shares	8,275	32,698
Convertible bond asset swaps	-	15,766
	$ 130,727	$ 133,677
Financial assets at FVTPL - non-current		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
Convertible bonds asset swaps	$ 34,017	$ 65,504
Convertible bonds	18,322	21,620
	$ 52,339	$ 87,124
Financial liabilities at FVTPL - current		
Derivative financial liabilities		
Foreign exchange forward contracts (a)	$ 178	$ 10
Cross-currency swap contracts (b)	-	1,252
	$ 178	$ 1,262

a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD/NTD	2020.01.02	US$2,000/NT$60,810
Buy forward exchange contracts	NTD/USD	2020.01.31	NT$60,026/US$2,000
Sell forward exchange contracts	USD/NTD	2020.02.04	US$2,000/NT$60,548
Buy forward exchange contracts	NTD/USD	2020.02.14	NT$60,030/US$2,000
Sell forward exchange contracts	USD/NTD	2020.02.18	US$2,000/NT$60,270
Buy forward exchange contracts	NTD/USD	2020.03.24	NT$59,820/US$2,000
Sell forward exchange contracts	USD/NTD	2020.03.26	US$2,000/NT$60,070
Buy forward exchange contracts	NTD/USD	2020.03.27	NT$59,650/US$2,000
Sell forward exchange contracts	USD/NTD	2020.03.31	US$2,000/NT$59,918
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.31	US$2,000/NT$61,420
Buy forward exchange contracts	NTD/USD	2019.01.22	NT$76,700/US$2,500
Buy forward exchange contracts	NTD/USD	2019.02.11	NT$61,350/US$2,000

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

b. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2018

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
US$ 5,000	2019.01.02	-	4.00%
US$ 1,000	2019.01.02	-	5.6%
US$ 500	2019.01.02	-	3.1%
US$ 500	2019.01.02	-	5.0%
US$ 300	2019.01.02	-	5.6%
US$ 200	2019.01.02	-	5.0%
US$ 4,000	2019.01.08	-	LIBOR (1 MTH) +0.35%
US$ 2,000	2019.02.13	-	LIBOR (3 MTH) +0.20%

The Group entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Current		
Investments in equity instruments at FVTOCI	$ 323,364	$ 187,259
Investments in debt instruments at FVTOCI	-	29,659
	$ 323,364	$ 216,918
Non-current		
Investments in equity instruments at FVTOCI	$ 716,631	$ 619,107
Investments in debt instruments at FVTOCI	14,903	14,814
	$ 731,534	$ 633,921

a. Investments in equity instruments at FVTOCI

	December 31	
	2019	2018
Current		
Domestic investments		
Listed shares (1) and (2)	$ 323,364	$ 187,259
Non-current		
Foreign investments		
Unlisted shares (1)	$ -	$ 30,961
Unlisted equity investments (1)	716,631	588,146
	$ 716,631	$ 619,107

1) These investments in equity instruments are not held for trading. Instead, they are held for strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for purposes.

2) In 2019 and 2018, the Group acquired the ordinary shares of listed companies at NT$89,949 thousand and NT$149,269 thousand and the ordinary shares of foreign companies at USD1,008 thousand for strategic investment purposes. The management designated these investments as at FVTOCI.

3) In order to manage credit concentration risk, the Group sold its ordinary shares of domestic listed companies and ordinary shares of foreign unlisted companies in 2019 in the amounts of NT$9,109 thousand and US$1,584 thousand, respectively; and transferred a gain of $18,535 thousand from other equity to retained earnings.

4) In 2018, the Group sold its ordinary shares of listed and unlisted companies in order to manage credit concentration risk. The sold shares had a fair value of $72,596 thousand and the Group transferred a loss of $3,047 thousand from other equity to retained earnings.

5) Dividends of $13,858 thousand and $9,073 thousand were recognized for the years ended December 31, 2019 and 2018. Those related to investments held at December 31, 2019 and 2018 were $13,858 thousand and $9,073 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2019	2018
Current		
Foreign corporate bonds	$ -	$ 29,659
Non-current		
Foreign corporate bonds	$ 14,903	$ 14,814

In August 2019, the Group sold foreign corporate bonds for US$966 thousand.

In September 2016, the Group purchased foreign corporate bonds for $15,654 thousand with a maturity date of September 2021 and a coupon rate of 2.25%.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	$ 1,188,100	$ 262,500
Pledged fixed deposits (b)	498,424	119,791
	$ 1,686,524	$ 382,291
Non-current		
Foreign investments		
Foreign corporate bonds (c)	$ 30,542	$ 31,386

a. The interest rates for time deposits with original maturities of more than 3 months ranged from 0.15%-1.07% and 0.40%-1.07% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

c. The Group purchased the priority unsecured US dollar debt issued by Formosa Group (Cayman) Limited at $32,675 thousand, with an expiry date of April 22, 2025 and the coupon rate of 3.375%.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable	$ -	$ 4,257
Trade receivables	1,421,318	1,375,746
Less: Allowance for impairment loss	(22,940)	(20,928)
	$ 1,398,378	$ 1,359,075
Other receivables		
Income tax refund receivable	$ 55,915	$ 26,955
Factored accounts receivable (Note 31)	-	22,000
Interest receivables	6,924	2,131
Others	2,072	2,246
	$ 64,911	$ 53,332

The average credit period of sales of goods was 5-135 days. No interest was charged on trade receivables. The Group adopted a policy of obtaining advance payment or sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own historical trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Up to 60 Days	61 to 90 Days	Over 90 Days	Total
Gross carrying amount	$ 1,409,775	$ 3,691	$ -	$ 7,852	$ 1,421,318
Loss allowance (Lifetime ECLs)	(14,239)	(849)	-	(7,852)	(22,940)
Amortized cost	$ 1,395,536	$ 2,842	$ -	$ -	$ 1,398,378

December 31, 2018

	Not Past Due	Up to 60 Days	61 to 90 Days	Over 90 Days	Total
Gross carrying amount	$ 1,287,015	$ 77,056	$ 3,729	$ 7,946	$ 1,375,746
Loss allowance (Lifetime ECLs)	(1,336)	(11,218)	(428)	(7,946)	(20,928)
Amortized cost	$ 1,285,679	$ 65,838	$ 3,301	$ -	$ 1,354,818

The movements of the loss allowance of trade receivables were as follows:

	2019	2018
Balance at January 1	$ 20,928	$ 23,132
Add: Net remeasurement of loss allowance	2,012	-
Less: Net remeasurement of loss allowance	-	(2,204)
Balance at December 31	$ 22,940	$ 20,928

Compared with January 1, 2019, the total carrying amount of accounts receivable as of December 31, 2019 increased by a net amount of $45,572 thousand, and the loss allowance increased by $2,012 thousand; the total carrying amount of accounts receivable as of December 31, 2018 increased by a net amount of $347,752 thousand, and the loss allowance reduced by $2,204 thousand, which was due to changes in accounts receivable of different risk groups.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 589,938	$ 645,117
Work in progress	1,097,557	1,165,847
Raw materials	220,395	259,533
Merchandise	1,774	524
	$ 1,909,664	$ 2,071,021

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $9,417,393 thousand and $7,460,479 thousand, respectively. The cost of goods sold included inventory write-downs of $70,271 thousand and $47,288 thousand for the years ended December 31, 2019 and 2018, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)	
			December 31	
Investor	Investee	Main Business	2019	2018
Sitronix Technology Corporation	Sitronix Technology (Belize) Corp. (Belize Corp.)	International trade	100.00	100.00
	Sitronix Investment Corp.	Investment	100.00	100.00

(Continued)

Investor	Investee	Main Business	Proportion of Ownership (%) December 31 2019	Proportion of Ownership (%) December 31 2018
Sitronix Technology Corporation	Sensortek Technology Corp.	R&D, design and sales of sensor integrated circuit products	50.44	53.93
	Infinno Technology Corp.	Comprehensive line of Power supervisor IC design	63.99	63.99
	mCore Technology Corp.	Providing solutions for consumer display and voice/audio related applications.	90.73	90.73
	Forcelead Technology Corp.	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	84.14	75.83
	Sync-Tech System Corp.	Design, Manufacturing and Maintenance of Probe card	50.80	55.11
	Sitronix Holding International Ltd. (Holding Ltd.)	Investment	100.00	100.00
	HeFei ezGreen Co., Ltd.	Design, sales and technical services of Supplier management software development	100.00	100.00
	HeFei Sitronix Co., Ltd.	R&D, design, sales and technical services of integrated circuits and system hardware and software	90.00	75.00
	ezGreen Inc.	Software design and electronic information supply services	100.00	-
	Sitronix Technology (Shenzhen) Co., Ltd.	Computer software and hardware development, sales and after-sales service business and related technical consulting services	100.00	-
Sitronix Investment Corp.	Sensortek Technology Corp.	R&D, design and sales of sensor integrated circuit products	-	-
	Infinno Technology Corp.	Comprehensive line of Power supervisor IC design	-	-
	Forcelead Technology Corp.	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	-	-
Belize Corp.	Sitronix Technology (Mauritius) Corp. (Mauritius Corp.)	International trade	100.00	100.00
Mauritius Corp.	Sitronix Technology (Shenzhen) Co., Ltd.	Computer software and hardware development, sales and after-sales service business and related technical consulting services	-	100.00

(Concluded)

The financial statements of the above subsidiaries included in the consolidated financial statements for the years ended December 31, 2019 and 2018 have been audited by certified public accountants.

The Group underwent organizational restructuring on August 31, 2019, where Sitronix Technology (Shenzhen) Co., Ltd, which was previously wholly-owned by second-tier subsidiary Mauritius Corp., was changed to being directly owned by the Company.

The Company invested in and obtained 100% ownership of ezGreen Inc. on January 8, 2019.

The Company invested in HeFei ezGreen Co., Ltd. and HeFei Sitronix Co., Ltd. on May 2, 2018, with ownership percentages of 100% and 75%, respectively.

Refer to Note 28 for the acquisitions and disposals of investments in subsidiaries.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2019	2018
Sensortek Technology Corp.	Taiwan	49.56%	46.07%
Infinno Technology Corp.	Taiwan	36.01%	36.01%
Forcelead Technology Corp.	Taiwan	15.86%	24.17%
Sync-Tech System Corp.	Taiwan	49.20%	44.89%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 2019	2018	Accumulated Non-controlling Interests December 31 2019	2018
Sensortek Technology Corp.	$ 649,846	$ 150,373	$ 903,513	$ 267,934
Infinno Technology Corp.	(5,765)	4	22,766	28,530
Forcelead Technology Corp.	35,160	15,374	97,193	124,979
Sync-Tech System Corp.	23,211	5,315	91,126	49,129
Others	5,117	2,391	25,194	22,834
Total	$ 707,569	$ 173,457	$1,139,792	$ 493,406

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31 2019	2018
Current assets	$ 4,344,811	$ 2,207,134
Non-current assets	283,295	159,438
Current liabilities	(1,702,749)	(934,705)
Non-current liabilities	(240,783)	(144,361)
Equity	$ 2,684,574	$ 1,287,506
Equity attributable to:		
Owners of the Company	$ 1,569,976	$ 816,934
Non-controlling interests of subsidiaries	1,114,598	470,572
	$ 2,684,574	$ 1,287,506

	For the Year Ended December 31 2019	2018
Revenue	$ 6,301,257	$ 3,063,591
Profit for the year	$ 1,509,464	$ 403,062
Other comprehensive income for the year	(2)	-
Total comprehensive income for the year	$ 1,509,462	$ 403,062

(Continued)

	For the Year Ended December 31	
	2019	2018
Profit attributable to:		
Owners of the Company	$ 807,012	$ 231,996
Non-controlling interests of the subsidiaries	702,452	171,066
	$ 1,509,464	$ 403,062
Total comprehensive income attributable to:		
Owners of the Company	$ 807,010	$ 231,996
Non-controlling interests of the subsidiaries	702,452	171,066
	$ 1,509,462	$ 403,062
Net cash inflow (outflow) from:		
Operating activities	$ 2,042,883	$ 415,585
Investing activities	(1,432,844)	(123,400)
Financing activities	(165,306)	57,606
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(5,213)	5,047
Net cash inflow	$ 439,520	$ 354,838
Dividends paid to non-controlling interests	$ 78,902	$ 18,843

(Concluded)

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Test Equipment	Office Equipment	Total
Cost						
Balance at January 1,2018	$ 125,542	$ 465,168	$ 89,248	$ 708,683	$ 10,705	$ 1,399,346
Additions	-	17,243	23,938	175,167	1,544	217,892
Disposals	-	(5,427)	(824)	(191,498)	(205)	(197,954)
Effect of foreign currency exchange differences	-	(51)	-	-	(834)	(885)
Balance at December 31, 2018	$ 125,542	$ 476,933	$ 112,362	$ 692,352	$ 11,210	$ 1,418,399
Accumulated depreciation						
Balance at January 1,2018	$ -	$ 121,735	$ 45,607	$ 439,869	$ 9,990	$ 617,201
Additions	-	15,117	15,659	157,803	981	189,560
Disposals	-	(5,427)	(705)	(191,498)	(205)	(197,835)
Effect of foreign currency exchange differences	-	(50)	-	-	(781)	(831)
Balance at December 31, 2018	$ -	$ 131,375	$ 60,561	$ 406,174	$ 9,985	$ 608,095
Balance at January 1, 2018	$ 125,542	$ 343,433	$ 43,641	$ 268,814	$ 715	$ 782,145
Carrying amount at December 31, 2018	$ 125,542	$ 345,558	$ 51,801	$ 286,178	$ 1,225	$ 810,304

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Test Equipment	Office Equipment	Total
Cost						
Balance at January 1,2019	$ 125,542	$ 476,933	$ 112,362	$ 692,352	$ 11,210	$ 1,418,399
Additions	-	8,228	21,448	208,268	1,446	239,390
Disposals	-	-	(1,117)	(125,681)	(65)	(126,863)
Effect of foreign currency exchange differences	-	(547)	(57)	(55)	(160)	(819)
Transfer from investment properties	6,934	21,152	-	-	-	28,086
Balance at December 31, 2019	$ 132,476	$ 505,766	$ 132,636	$ 774,884	$ 12,431	$ 1,558,193
Accumulated depreciation						
Balance at January 1,2019	$ -	$ 131,375	$ 60,561	$ 406,174	$ 9,985	$ 608,095
Additions	-	18,667	19,176	175,162	1,335	214,340
Disposals	-	-	(1,117)	(120,342)	(65)	(121,524)
Effect of foreign currency exchange differences	-	(183)	(17)	(81)	(123)	(404)
Transfer from investment properties	-	3,560	-	-	-	3,560
Balance at December 31, 2019	$ -	$ 153,419	$ 78,603	$ 460,913	$ 11,132	$ 704,067
Balance at January 1, 2019	$ 125,542	$ 345,558	$ 51,801	$ 286,178	$ 1,225	$ 810,304
Carrying amount at December 31, 2019	$ 132,476	$ 352,347	$ 54,033	$ 313,971	$ 1,299	$ 854,126

(Concluded)

The Group’s property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Renovation construction	5 years
Machinery equipment	3-6 years
Test equipment	3-6 years
Office equipment	5-6 years

14. LEASE ARRANGEMENT

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 65,444
Office equipment	3,052
	$ 68,496

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 14,568
Depreciation charge for right-of-use assets	
Buildings	$ 35,612
Office equipment	1,757
	$ 37,369

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 33,831
Non-current	$ 31,431

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.504%-4.750%
Office equipment	1.204%-1.895%

c. Material lease activities and terms (the Group is lessee)

The Group leases certain buildings for the use of plants and offices, and rental cars with lease terms between 3-6 years. The Group does not have bargain purchase or renewal options to acquire or renew the leases when they expire.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Notes 15.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,070
Expenses relating to low-value asset leases	$ 67
Total cash outflow for leases	$ 36,414

The Group leases certain parking spaces which qualify as short-term leases and certain machinery which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 32,461
Later than 1 year and not later than 5 years	52,615
	$ 85,076

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 25,375

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1 and December 31, 2018	$ 125,945	$ 239,923	$ 365,868
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 30,591	$ 30,591
Depreciation expense	-	4,718	4,718
Balance at December 31, 2018	$ -	$ 35,309	$ 35,309
Balance at January 1,2018	$ 125,945	$ 209,332	$ 335,277
Carrying amount at December 31, 2018	$ 125,945	$ 204,614	$ 330,559
Cost			
Balance at January 1, 2019	$ 125,945	$ 239,923	$ 365,868
Transferred to properties, plant and equipment	(6,934)	(21,152)	(28,086)
Balance at December 31, 2019	$ 119,011	$ 218,771	$ 337,782

(Continued)

	Land	Buildings	Total
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ 35,309	$ 35,309
Depreciation expense	-	4,408	4,408
Transferred to properties, plant and equipment	-	(3,560)	(3,560)
Balance at December 31, 2019	$ -	$ 36,157	$ 36,157
Balance at January 1,2019	$ 125,945	$ 204,614	$ 330,559
Carrying amount at December 31, 2019	$ 119,011	$ 182,614	$ 301,625

(Concluded)

The above-mentioned investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of operating lease commitments in 2019 were follows:

	December 31, 2019
Year 1	$ 5,482
Year 2	5,011
Year 3	2,089
	$ 12,582

The total minimum lease payments to be collected in the future for non-cancellable operating leases in 2018 were as follows:

	December 31, 2018
No later than 1 year	$ 7,346
1-5 years	12,073
	$ 19,419

Investment properties are depreciated using the straight-line method over their estimated useful lives for 50 years.

The determination of fair values of the Group’s investment properties was performed by independent qualified professional vaulters of the China Real Estate Appraising Firm using Level 3 inputs. The evaluation is based on the weighted average of the income method and the market comparison method. The significant unobservable input used include the discount rate, and the fair values as appraised are as follows:

	December 31	
	2019	2018
Fair value	$ 459,093	$ 494,153

All of the Group’s investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

	Royalty	Computer Software	Total
Cost			
Balance at January 1, 2018	$ 99,568	$ 53,838	$ 153,406
Additions	5,032	16,229	21,261
Disposals	(3,445)	(1,740)	(5,185)
Effect of foreign currency exchange differences	-	(5)	(5)
Balance at December 31, 2018	$ 101,155	$ 68,322	$ 169,477
Accumulated amortization			
Balance at January 1, 2018	$ 67,374	$ 30,243	$ 97,617
Additions	11,975	17,202	29,177
Disposals	(3,445)	(1,740)	(5,185)
Effect of foreign currency exchange differences	-	(7)	(7)
Balance at December 31, 2018	$ 75,904	$ 45,698	$ 121,602
Balance at January 1, 2018	$ 32,194	$ 23,595	$ 55,789
Carrying amount at December 31, 2018	$ 25,251	$ 22,624	$ 47,875
Cost			
Balance at January 1, 2019	$ 101,155	$ 68,322	$ 169,477
Additions	9,264	12,798	22,062
Effect of foreign currency exchange differences	-	(79)	(79)
Balance at December 31, 2019	$ 110,419	$ 81,041	$ 191,460
Accumulated amortization			
Balance at January 1, 2019	$ 75,904	$ 45,698	$ 121,602
Amortization expenses	14,161	17,733	31,894
Effect of foreign currency exchange differences	-	(22)	(22)
Balance at December 31, 2019	$ 90,065	$ 63,409	$ 153,474
Balance at January 1, 2019	$ 25,251	$ 22,624	$ 47,875
Carrying amount at December 31, 2019	$ 20,354	$ 17,632	$ 37,986

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Royalty	2-10 years
Computer software	2-5 years

17. OTHER ASSETS

	December 31	
	2019	2018
Current		
Provisional payments	$ 3,859	$ 10,898
Others	1,839	1,640
	$ 5,698	$ 12,538
Non-current		
Prepayments for investments	$ 30,000	$ -
Refundable deposits	15,236	9,229
Prepayments for equipment	12,852	514
	$ 58,088	$ 9,743

18. SHORT-TERM BORROWINGS

	December 31	
	2019	2018
Short-term unsecured borrowings		
Bank loans	$ 278,814	$ 476,168

The range of weighted average effective interest rates on bank loans was 2.08% and 1.50%-2.88% as of December 31, 2019 and 2018, respectively.

19. TRADE PAYABLES

	December 31	
	2019	2018
Trade payables	$ 2,085,145	$ 1,560,675

The credit period for trade payables is 20-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Payables for salaries and bonuses	$ 581,428	$ 324,276
Payables for equipment	32,878	36,761
Payables for research	24,173	32,728
Others	167,186	127,489
	$ 805,665	$ 521,254
Other liabilities		
Temporary receipts	$ 14,395	$ 19,246
Contract liabilities	8,152	18,069
Others	8,587	5,435
	$ 31,134	$ 42,750

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

The amounts based on the actuarial report of the Group's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 95,776	$ 96,085
Fair value of the plan assets	(49,130)	(44,767)
Net defined benefit liabilities	$ 46,646	$ 51,318

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 98,359	$ (40,804)	$ 57,555
Service cost			
Current service cost	-	-	-
Net interest expense (income)	1,226	(521)	705
Recognized in profit or loss	1,226	(521)	705
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,099)	(1,099)
Actuarial loss - change in demographic assumptions	1,962	-	1,962
Actuarial gain - change in financial assumptions	(5,380)	-	(5,380)
Actuarial gain - experience adjustments	(82)	-	(82)
Recognized in other comprehensive income	(3,500)	(1,099)	(4,599)
Contributions from the employer	-	(2,343)	(2,343)
Balance at December 31, 2018	96,085	(44,767)	51,318
Service cost			
Past service cost	(595)	-	(595)
Net interest expense(income)	956	(455)	501
Recognized in profit or loss	361	(455)	(94)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,538)	(1,538)
Actuarial loss - change in demographic assumptions	1,017	-	1,017
Actuarial gain - change in financial assumptions	(473)	-	(473)
Actuarial gain - experience adjustments	(1,214)	-	(1,214)
Recognized in other comprehensive income	(670)	(1,538)	(2,208)
Contributions from the employer	-	(2,370)	(2,370)
Balance at December 31, 2019	$ 95,776	$ (49,130)	$ 46,646

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ -	$ -
Selling and marketing expenses	51	87
General and administrative expenses	97	168
Research and development expenses	(242)	450
	$ (94)	$ 705

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate	0.75%	1.00%
Expected rate of salary increase	4.00%	4.30%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	For the Year Ended December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (2,875)	$ (3,070)
0.25% decrease	$ 2,995	$ 3,204
Expected rate of salary increase		
0.25% increase	$ 2,892	$ 3,093
0.25% decrease	$ (2,794)	$ (2,982)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 2,357	$ 2,341
The average duration of the defined benefit obligation	12 years	12 years

22. EQUITY

a. Share capital

	December 31	
	2019	2018
Number of shares authorized (in thousands)	200,000	200,000
Share capital	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,137	120,223
Shares issued	$ 1,201,369	$ 1,202,226

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

The authorized shares include 20,000 thousand shares reserved for the exercise of employee stock options.

The changes in the Company's share capital are mainly due to the cancellation of the newly issued restricted shares as the new shares did not meet the required conditions.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 278,773	$ 278,773
Conversion of bonds	335,041	335,041
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	2,041
May be used to offset a deficit only		
Issuance of ordinary shares	123,222	69,595
Changes in percentage of ownership interests in subsidiaries (2)	35,285	14,214
May not be used for any purpose		
Employee restricted shares	-	61,640
	$ 772,321	$ 761,304

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.(limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be distributed in the following order:

1) Utilized for paying taxes.

2) Offsetting losses of previous years.

3) Setting aside as a legal reserve of 10% of the remaining profit (legal reserve that has reached the company's paid-in capital is not subject to this condition).

4) Setting aside or reversing a special reserve in accordance with the laws and regulations.

5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors and supervisors in Notes 24(f).

The distribution of dividends to shareholders of the Company can be made in cash or shares, but the proportion of cash dividends distributed should not be less than 10% of the total dividends distributed. The dividends policy is dependent on the Company's current and future investment environment, capital needs, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company, the board of directors plans to distribute the case to the shareholders' meeting.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 26, 2019 and June 27, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 84,036	$ 87,316
Special reserve	$ 225,303	$ 17,916
Cash dividends	$ 601,113	$ 662,847
Cash dividends per share (NT$)	$ 5.0	$ 5.5

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 13, 2020. The appropriation and dividends per share were as follows:

	2019
Legal reserve	$ 123,059
Reverse special reserve	$ (174,421)
Cash dividends	$ 780,890
Cash dividends per share (NT$)	$ 6.5

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 24, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 26,644	$ 8,728
Appropriations in respect of		
Debits to other equity items	225,303	17,916
Balance at December 31	$ 251,947	$ 26,644

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (846)	$ (943)
Exchange differences on translating the financial statements of foreign operations	(8,842)	97
Balance at December 31	$ (9,688)	$ (846)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (251,101)	$ (106,936)
Recognized for the year		
Unrealized gain (loss) - debt instruments	122	218
Unrealized gain (loss) - equity instruments	201,676	(147,430)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(18,535)	3,047
Balance at December 31	$ (67,838)	$ (251,101)

3) Unearned employee benefits

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (25,652)	$ (50,850)
Share-based payment expenses recognized (reversal)	16,782	(5,337)
Cancellation of restricted shares for employees	8,870	30,535
Balance at December 31	$ -	$ (25,652)

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 493,406	$ 318,585
Share attributable to non-controlling interests:		
Share in profit for the year	707,569	173,457
Exchange difference on translating the financial statements of foreign operations	(555)	(538)
Cash dividends distributed by subsidiaries	(79,465)	(18,843)
Changes in non-controlling interests in the current period	18,837	20,745
Balance at December 31	$ 1,139,792	$ 493,406

23. REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Product		
Integrated circuits	$ 13,584,346	$ 10,172,277
Others	218,392	158,228
	$ 13,802,738	$ 10,330,505
Primary geographical markets		
Hong Kong	$ 11,817,629	$ 8,847,013
Taiwan	673,515	730,627
Vietnam	563,043	119,577
China	365,382	480,686
Others	383,169	152,602
	$ 13,802,738	$ 10,330,505

The basis of calculation of the Group’s revenue segregated by geographical location is mainly based on the location the goods were shipped as designated by the customers.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (Note 10)	$ 1,398,378	$ 1,354,818	$ 1,004,862
Contract liabilities - current (Note 20)			
Sales of goods	$ 8,152	$ 18,069	$ 1,933

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sales of goods	$ 14,999	$ -

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 36,828	$ 25,151
Government grants	21,784	13,445
Rental income	13,067	14,319
Dividend income	14,389	9,603
Others	16,207	2,556
	$ 102,275	$ 65,074

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on financial assets designated as at FVTPL	$ 22,688	$ 15,700
Net foreign exchange gains	7,429	13,430
Depreciation of investment property	(4,408)	(4,718)
Other losses	(169)	(803)
	$ 25,540	$ 23,609

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 8,854	$ 9,267
Interest on lease liabilities	1,858	-
Other interest expenses	107	-
	$ 10,819	$ 9,267

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 214,340	$ 189,560
Investment properties	4,408	4,718
Right-of-use assets	37,369	-
Intangible assets	31,894	29,177
	$ 288,011	$ 223,455
An analysis of depreciation by function		
Operating expenses	$ 194,314	$ 171,086
Operating costs	57,395	18,474
Depreciation of investment property	4,408	4,718
	$ 256,117	$ 194,278
An analysis of amortization by function		
General and administrative expenses	$ 4,066	$ 2,577
Research and development expenses	27,828	26,600
	$ 31,894	$ 29,177

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 1,787,323	$ 1,241,600
Post-employment benefits (Note 21)		
Defined contribution plans	41,367	36,432
Defined benefit plans	(71)	726
Share-based payments		
Equity-settled	18,087	(5,206)
Total employee benefits expense	$ 1,846,706	$ 1,273,552
An analysis of employee benefits expense by function		
Operating expenses	$ 1,665,987	$ 1,218,811
Operating costs	180,719	54,741
	$ 1,846,706	$ 1,273,552

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 25%, and rates of no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the company's board of directors on March 13, 2020 and March 15, 2019, respectively, are as follows:

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 110,023	$ -	$ 75,633	$ -
Remuneration of directors and supervisors	33,007	-	22,690	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 199,644	$ 190,866
Foreign exchange losses	(192,215)	(177,436)
Net gains	$ 7,429	$ 13,430

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 266,287	$ 121,944
Income tax on unappropriated earnings	1,757	-
Adjustments for prior years	(7,305)	(13,868)
	260,739	108,076
Deferred tax		
In respect of the current year	4,526	34
Income tax expense recognized in profit or loss	$ 265,265	$ 108,110

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	**2018**
Profit before tax from continuing operations	$ 2,203,422	$ 1,121,930
Income tax expense calculated at the statutory rate	$ 606,558	$ 274,758
Deductible expenses in determining taxable income	(169,605)	(56,313)
Tax-exempt income	(150,048)	(78,912)
Income tax on unappropriated earnings	1,757	-
Impact of the temporary differences	5,235	(8,180)
Effects of investment credits	(9,747)	(3,031)
Unrecognized tax-deductible loss	(11,580)	(6,344)
Adjustments for prior years' tax	(7,305)	(13,868)
Income tax expense recognized in profit or loss	$ 265,265	$ 108,110

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Current tax liabilities

	December 31	
	2019	**2018**
Current tax liabilities		
Income tax payable	$ 317,778	$ 142,911

c. Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

For the year ended December 31, 2019

Deferred Tax liabilities	**Opening Balance**	**Recognized in Profit or Loss**	**Closing Balance**
Temporary differences	$ 610	$ 4,526	$ 5,136

For the year ended December 31, 2018

Deferred Tax liabilities	**Opening Balance**	**Recognized in Profit or Loss**	**Closing Balance**
Temporary differences	$ 576	$ 34	$ 610

d. Deductible temporary differences for which no deferred assets have been recognized in the consolidated balance sheets

	December 31	
	2019	**2018**
Deductible temporary differences	$ 203,636	$ 161,872

e. The tax exemption periods for the Group's manufacture of high-order integrated circuit design-SOC, LCD Driver IC and other products are as follows:

Sitronix Technology Corporation

Expansion of Construction Project	Tax-exemption Period
The eighth issuance of shares	2015.01.01-2018.09.30
The ninth issuance of shares	2016.01.01-2019.11.30

Sensortek Technology Corp.

Expansion of Construction Project	Tax-exemption Period
The first issuance of shares	2016.01.01-2020.12.31

Forcelead Technology Corp.

Expansion of Construction Project	Tax-exemption Period
The first issuance of shares	2015.01.01-2019.12.31

f. Information on unrecognized deferred income tax liabilities associated with investments

As of December 31, 2019 and 2018, there were no recognized taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized.

g Income tax assessments

The Company's tax returns through 2017 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 10.27	$ 7.03
Diluted earnings per share	$ 10.17	$ 6.94

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Income for the Year

	For the Year Ended December 31	
	2019	2018
Net income for the year	$ 1,230,588	$ 840,363
Earnings used in the computation of basic earnings per share	$ 1,230,588	$ 840,363
Effect of potentially dilutive ordinary shares		
Employee restricted shares	-	-
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,230,588	$ 840,363

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	119,796	119,461
Effect of potentially dilutive ordinary shares:		
Employee restricted shares	371	660
Employees' compensation	776	930
Weighted average number of ordinary shares used in the computation of diluted earnings per share	120,943	121,051

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Employee restricted shares

In the shareholders' meeting on June 22, 2016, the shareholders approved a restricted share plan for employees with a total amount of $15,000 thousand, consisting of 1,500 thousand shares. The aforementioned resolution was made effective by the FSC on July 15, 2016.

The board of directors of the Company approved the issuance of 1,500 thousand shares of restricted shares awards to employees in their meeting on August 5, 2016 totaling $15,000 thousand, with face value of $10 for each share, and the price of each share was NT$0 (that is, free of charge). The dates of issuance and distribution were both August 5, 2016, and the fair value of the shares on the date of distribution was $103.5.

After the employees have been awarded the restricted shares awards, if the employees remain employed by the Company at the end of the vesting periods in the table below, without violate any laws, labor contracts, work rules, work regulations and other agreements with the Company, and achieved the Company's set of business objectives, the maximum number of shares awarded will be based on the proportions in the table below, however, the actual proportion awarded will be based on the attainment of the Company's operating goals.

Vesting Period	Proportion
Remain employed by the Company for one year	25%
Remain employed by the Company for two years	30%
Remain employed by the Company for three years	45%

Employees who remain employed by the Company after the expiration of the vesting period and who have not violated the labor contract, work rules, etc., and have achieved the performance requirements of the Company, may receive the new shares.

The restrictions after the aforementioned employees are awarded or subscribed new shares, but not yet vested are as follows:

a. According to the trust agreement, after the employee acquired the new shares, the employee cannot sell, mortgage, transfer, donate, pledge, no objection to the right to buy, or other way due to disposal before the vested condition is reached. However, if there are other norms in this measure, they shall be followed.

b. The attendance, proposals, speeches, and voting rights of the shareholders' meeting shall be executed by the trust custodian institution according to law.

c. Employee restricted shares, after the new shares are issued, they should be immediately delivered to the trust, and the employee must not ask the trustee for any reason or manner to receive the return of the employee's rights to new shares before the vested condition is reached.

d. The new shares issued by the Company that restrict employee rights shall be handled in the form of stock trusts, and the Company or the person designated by the company shall sign and revise the trust related contracts on behalf of all the assigned employees. If the employees violate the aforementioned provisions or terminate the Company’s or the agent’s authorization to manage the trust before the vested conditions are met, the Company has the right to withdraw the shares from the trust with no charge and cancel those shares.

Relevant information on new shares of restricted employee share awards issued is as follows:

	Number of Shares (In Thousands of Shares)	
	2019	**2018**
Balance at January 1	659	1,125
Vested	(573)	(171)
Cancelled	(86)	(295)
Balance at December 31	-	659

Compensation costs recognized (reversed) were $16,782 thousand and $(5,337) thousand for the years ended December 31, 2019 and 2018, respectively.

Employee share option plan of Sync-Tech System Corp.

On June 25, 2019 and December 9, 2015, the board of directors of Sync-Tech System Corp. approved the issuance of 2,000 thousand and 3,000 thousand units of employee share option certificates, respectively, and each unit of share option certificate can be exchanged for 1 ordinary share. The share option certificates can be issued all at once or split into several issues after the approval date of the board of directors, the actual issuance date is to be fixed by the Chairman. Eligible employees are limited to full-time employees within Sync-Tech System Corp. The holder of the share option certificates can exercise the options at any time after the date of issuance.

2019	2019-Year Share Option Plan Number of Shares (In Thousands)	2019-Year Share Option Plan Weighted-average Exercise Price (NT$)	2015-Year Share Option Plan Number of Shares (In Thousands)	2015-Year Share Option Plan Weighted-average Exercise Price (NT$)
Balance at January 1	-	$ -	-	$ -
Options granted	37	10.00	612	10.00
Options exercised	(26)	10.00	(612)	10.00
Options forfeited	(11)	-	-	-
Balance at December 31	-	-	-	-

Per the employee share option plan of 2019, Sync-Tech System Corp. distributed 37 thousand units of employee share option certificates to its employees on November 12, 2019. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

	November 2019
Grant date share price (NT$)	$ 8.72
Exercise price (NT$)	$ 10.00
Expected volatility rate	30.47%
Option life (in years)	0.11 years
Dividend yield	-
Risk-free interest rate	0.60%
Share options fair value (NT$)	$ 0.04

Per the employee share option plan of 2015, Sync-Tech System Corp. distributed 612 thousand units of employee share option certificates to its employees on November 12, 2019. The Black-Scholes pricing Model was used to calculate the fair values of the employee share options, and the input values used are summarized as follows:

	November 2019
Grant date share price (NT$)	$ 8.72
Exercise price (NT$)	$ 10.00
Expected volatility rate	32.27%
Option life (in years)	5 years
Dividend yield	-
Risk-free interest rate	0.60%
Share options fair value (NT$)	$ 2.13

2018	2015-Year Share Option Plan Number of Shares (In Thousands)	2015-Year Share Option Plan Weighted-average Exercise Price (NT$)
Balance at January 1	-	$ -
Options granted	279	10.00
Options exercised	(279)	10.00
Balance at December 31	-	-

Per the employee share option plan of 2015, Sync-Tech System Corp. distributed 279 thousand units of employee share option certificates to employees on November 13, 2018. Information on employee share option certificates is summarized as follows:

	November 2018
Grant date share price (NT$)	$ 4.93
Exercise price (NT$)	$ 10.00
Expected volatility rate	32.66%
Option life (in years)	5 years
Dividend yield	-
Risk-free interest rate	0.80%
Share options fair value (NT$)	$ 0.47

Compensation costs of Sync-Tech System Corp.'s employee share option plans were $1,305 thousand and $131 thousand for the years ended December 31, 2019 and 2018, respectively.

Issuance of shares from cash capital increase reserved for employee subscription

The board of directors of Sync-Tech system Corp. decided to increase the capital in cash on June 25, 2019, and reserved 150 thousand shares for employees to subscribe. The grant date is June 25, 2019.

The Black-Scholes pricing model was used to calculate the fair values, the input values used in the option pricing model are as follows:

	June 2019
Measurement date share price (NT$)	$ 5.95
Exercise price (NT$)	$ 12.00
Expected volatility rate	33.57%
Option life (in years)	0.1 years
Dividend yield	-
Risk-free interest rate	0.60%
Stock options fair value(NT$)	-

Compensation cost related to Sync-Tech System Corp.'s issuance of shares from the cash capital increase reserved for employee subscription recognized was $0 for the year ended December 31, 2019.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 26 2019, the Group subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 84.00% to 90.00%.

On February 15 2019, the Group subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75.00% to 84.00%.

Due to the distribution of employees' compensation in the form of shares by Sensortek Technology Corp. on March 4, 2019, the Group's shareholding percentage decreased from 53.93% to 51.18%. Due to partial disposal of Sensortek Technology Corp.'s shares on May 22, 2019, the shareholding ratio decreased from 51.18% to 50.44%.

On April 20 and October 19, 2018, as the Group repurchased some of the shares of Sensortek Technology Corp. and on May 30, 2018, Sensortek Technology Corp. distributed employees' compensation in the form of shares, the shareholding ratio increased from 53.74% to 53.93%.

On September 18, 2019, as the Group repurchased some of the shares of Forcelead Technology Corp., the shareholding ratio increased from 75.72% to 84.14%. Please refer to Note 32 Transactions with related parties.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2019, the Group's shareholding percentage decreased from 75.83% to 75.72%.

On August 3, 2018, due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp., the Group's shareholding percentage decreased from 76.42% to 75.83%.

On December 23, 2019, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Group's shareholding percentage decreased from 52.53% to 50.80%.

On July 29, 2019, the Group subscribed for additional new shares of Sync-Tech system Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 55.11% to 52.53%.

On November 28 and December 6, 2018, due to partial disposal of Sync-Tech's shares and the execution of employee stock options, the shareholding ratio decreased from 58.96% to 55.11%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

2019

	Sensortek Technology Corp.	**Forcelead Technology Corp.**	**Sync-Tech System Corp.**	**HeFei Sitronix Corp.**
Cash consideration paid	$ -	$ (211,328)	$ -	$ -
Cash consideration received	72,406	-	20,253	-
Exchange differences on translating the financial statements of foreign operations	-	-	-	34
Non-cash transaction	47,587	793	1,305	-
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	(50,721)	49,033	(18,786)	1,637
Differences recognized from equity transactions	$ 69,272	$ (161,502)	$ 2,772	$ 1,671

(Continued)

	Sensortek Technology Corp.	Forcelead Technology Corp.	Sync-Tech System Corp.	HeFei Sitronix Corp.
Line items adjusted for equity transactions				
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 16,672	$ (44)	$ 2,772	$ 1,671
Capital surplus - the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	52,600	(54,641)	-	-
Retained earnings	-	(106,817)	-	-
	$ 69,272	$ (161,502)	$ 2,772	$ 1,671

(Concluded)

2018

	Sensortek Technology Corp.	Forcelead Technology Corp.	Sync-Tech System Corp.	HeFei Sitronix Corp.
Cash consideration paid	$ (1,155)	$ -	$ -	$ -
Cash consideration received	-	-	7,790	11,715
Non-cash transaction	1,195	4,013	131	-
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	26	(3,705)	(5,351)	(11,715)
Differences recognized from equity transactions	$ 66	$ 308	$ 2,570	$ -
Line items adjusted for equity transactions				
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 136	$ 308	$ 2,570	$ -
Retained earnings	$ (70)	$ -	$ -	$ -

29. CASH FLOW INFORMATION

a. Changes in liabilities arising from financing activities

2019

	Opening Balance	Cash Flows	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: New Leases	Non-cash Changes: Others (Note)	Closing Balance
Short-term borrowings	$ 476,168	$ (194,149)	$ (3,205)	$ -	$ -	$ 278,814
Lease liabilities	85,269	(34,277)	(1,147)	13,559	1,858	65,262
Guarantee deposits received	168,060	58,221	(7,279)	-	-	219,002
	$ 729,497	$ (170,205)	$ (11,631)	$ 13,559	$ 1,858	$ 563,078

2018

	Opening Balance	Cash Flows	Non-cash Changes: Fair Value Adjustments	Closing Balance
Short-term borrowings	$ 20,220	$ 457,499	$ (1,551)	$ 476,168
Guarantee deposits received	70,683	97,377	-	168,060
	$ 90,903	$ 554,876	$ (1,551)	$ 644,228

Note: Other comprises with interest expense of lease liabilities.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,308	$ -	$ 2,308
Domestic corporate funds	31,131	-	-	31,131
Convertible bond asset swaps	-	34,017	-	34,017
Convertible bonds	-	75,822	-	75,822
Domestic listed shares	8,275	-	-	8,275
Foreign listed shares	31,513	-	-	31,513
	$ 70,919	$ 112,147	$ -	$ 183,066
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 323,364	$ -	$ -	$ 323,364
Foreign unlisted equity investments	-	-	716,631	716,631
Investments in debt instruments at FVTOCI				
Foreign corporate bonds	14,903	-	-	14,903
	$ 338,267	$ -	$ 716,631	$1,054,898
Financial liabilities at FVTPL				
Derivatives	$ -	$ 178	$ -	$ 178

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 168	$ -	$ 168
Domestic listed shares	32,698	-	-	32,698
Domestic corporate funds	31,045	-	-	31,045
Convertible bond asset swaps	-	81,270	-	81,270
Convertible bonds	-	75,620	-	75,620
	$ 63,743	$ 157,058	$ -	$ 220,801
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 187,259	$ -	$ -	$ 187,259
Foreign unlisted shares	-	-	30,961	30,961
Foreign unlisted equity investments	-	-	588,146	588,146
Investments in debt instruments at FVTOCI				
Foreign corporate bonds	44,473	-	-	44,473
	$ 231,732	$ -	$ 619,107	$ 850,839

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives	$ -	$ 1,262	$ -	$ 1,262

(Concluded)

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Convertible bonds	Based on the public market quotes provided by third-party agencies.
Convertible bond asset swaps	Based on the public market quotation of convertible bond, the parameters of the repurchase, the coupon interest and the interest compensation are considered as the basis for fair value measurement.
Derivatives - foreign exchange forward contracts and Cross-currency swap contracts	Discounted cash flow method: Estimate the future cash flow at the end of the period by observing the forward exchange rate and the exchange rate and interest rate set by the contract, and have already discounted the discount rate of each counterparty's credit risk.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Foreign unlisted equity investments are evaluated by the method of net asset value. The management of the Group evaluates the target of such equity investments with the active market quotation, and the net asset amount tends to the fair value of the equity investments.

4) Adjustment of financial instruments measured using Level 3 fair values

The Group's financial assets under level 3 fair value measurement are equity instruments measured at fair value through other comprehensive income.

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 619,107	$ 714,482
Additions	-	30,704
Disposals	(49,190)	(2,038)
Recognized under other comprehensive income	146,714	(124,041)
Balance at December 31	$ 716,631	$ 619,107

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 183,066	$ 220,801
Financial assets at amortized cost (1)	6,119,154	3,898,890
Financial assets at FVTOCI		
Equity instruments	1,039,995	806,366
Debt instruments	14,903	44,473
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	178	1,262
Financial liabilities at amortized cost (2)	3,184,117	2,577,343

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, pledge fixed deposit, notes receivable and trade receivables (including receivables from related parties), other receivables, other current assets and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables, other payables to related parties and other current liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change in the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and thus have partial natural hedging effects.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY and CNY.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact For the Year Ended December 31		JPY Impact For the Year Ended December 31		CNY Impact For the Year Ended December 31	
	2019	2018	2019	2018	2019	2018
Profit or loss	$ 4,424	$ (9,900)	$ (342)	$ (32)	$ 140	$ 3,074

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	$ 3,327,980	$ 2,006,507
Cash flow interest rate risk		
Financial assets	1,284,402	429,515
Financial liabilities	278,814	476,168

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 would increase/decrease by $1,006 thousand. The Group's pre-tax profit for the years ended December 31, 2018 would decrease/increase by $47 thousand, which was mainly attributable to the Group's exposure to interest rates on variable-rate net assets. The Group's pre-tax other comprehensive income for the year ended December 31, 2019 and 2018 would decrease/increase by $15 thousand and $44 thousand, respectively, which was mainly a result of the changes in the fair value of investments in fixed-rate debt instruments at FVTOCI.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and mutual funds investment. The Group does not actively trade these investments. The Group's equity price is concentrated in equity instrument operating in steel industry, semiconductor industry, finance and insurance industry, and Exchange Traded Fund quoted in the Taiwan Stock Exchange and Taipei Exchange.

<u>Sensitivity analysis</u>

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax income for the year ended December 31, 2019 and 2018 would have increased/decreased by $1,989 thousand and $1,635 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. Pre-tax other comprehensive income for the year ended December 31, 2019 and 2018 would have increased/decreased by $16,168 thousand and $9,363 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following the carrying amount of the respective recognized financial assets as stated in the balance sheets.

To mitigate credit risk, the management of the Group assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure appropriate actions are taken for the collections of overdue receivables. In addition the Group reviews conditions on each collecting receivable to ensure the uncollectible amounts are provided with appropriate impairment losses. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

In addition, since the counterparties of liquidity and derivative financial instruments are banks with sound credit ratings, the credit risk is limited.

Apart from customers whose accounts receivable constitutes more than 10% of the Group's total accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's concentration of credit risk was 15% and 26% of total trade receivables as of December 31, 2019 and 2018, respectively. The credit risk is minimal because the customers which account for more than 10% of the Group's accounts receivable balance are creditworthy companies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 953,871	$ 1,486,781	$ 464,200	$ -	$ 2,904,852
Lease liabilities	2,815	6,004	25,727	31,628	66,174
Variable interest rate liabilities	-	279,265	-	-	279,265

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 900,318	$ 950,082	$ 249,844	$ -	$ 2,100,244
Variable interest rate liabilities	580	476,519	-	-	477,099

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates were to differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Foreign exchange forward contracts				
Inflows	$ 60,810	$ 420,728	$ 59,918	$ -
Outflows	(59,960)	(419,406)	(59,960)	-
	$ 850	$ 1,322	$ (42)	$ -

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Foreign exchange forward contracts				
Inflows	$ 138,208	$ 61,430	$ -	$ -
Outflows	(138,130)	(61,350)	-	-
	$ 78	$ 80	$ -	$ -
Cross-currency swap contracts				
Inflows	$ 353,222	$ 61,430	$ -	$ -
Outflows	(354,144)	(61,760)	-	-
	$ (922)	$ (330)	$ -	$ -

c) Financing facilities

	December 31	
	2019	2018
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 291,777	$ 481,168
Amount unused	4,116,906	3,671,088
	$ 4,408,683	$ 4,152,256

The amount of used bank facilities includes a performance guarantee of NT$12,963 thousand and NT$5,000 thousand, which were guaranteed by the bank in respect of the Customs bookkeeping and Industrial Development Bureau guarantee letter opened by the Group as of December 31, 2019 and 2018, respectively.

e. Financial asset transfer information

The relevant information of the Group for the sale of accounts receivable is as follows:

December 31, 2019

Counterparty	Amount of Sales as of Previous Period	Receivables Sold	Amounts Collected	Credit Line
Taipei Fubon Commercial Bank	$ 22,000	$ -	$ 22,000	USD 1,500

December 31, 2018

Counterparty	Amount of Sales as of Previous Period	Receivables Sold	Amounts Collected	Credit Line
Taipei Fubon Commercial Bank	$ -	$ 58,860	$ 36,860	USD 1,500

The above are revolving amounts.

Under the terms of the contract for sale, losses arising from commercial disputes (such as return or discount of sales, etc.) shall be borne by the Group, and losses arising from credit risk shall be borne by such banks.

The reserve amount for the factored accounts receivable are recognized under other receivables.

32. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Group and related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Silicon Power Computer & Communications Inc.	Related party in substance
ezGlobal Corp.	Related party in substance
Vincent Mao	The Group’s key management personnel
Wen Bin Lin	The Group’s key management personnel
Chun Sheng Lin	The Group’s key management personnel
I Hsi Cheng	The Group’s key management personnel
Wei Wang	The Group’s key management personnel
Shu Fang Xu	The Group’s key management personnel
Meng Huang Liu	The Group’s key management personnel
Zheng Long Jiang	The Group’s key management personnel
Xi Hao Zhong	The Group’s key management personnel

(Continued)

Related Party Name	Related Party Category
Min Huei Jhang	The Group's key management personnel
Ru Hung Chen	The Group's key management personnel
Jian-Yuan Jhao	The Group's key management personnel
Da-Hu Su	The Group's key management personnel

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Substantial related party	$ 1,124	$ 37

The transactions for related parties were negotiated under the terms of general transactions and prices.

c. Lease arrangement - the Group is lessor

Future lease payment receivables are as follows:

Related Party Category	For the Year Ended December 31	
	2019	2018
Substantial related party	$ 508	$ 323

Lease income was as follows:

Related Party Category	For the Year Ended December 31	
	2019	2018
Substantial related party	$ 2,037	$ 2,034

The terms of transactions between the Group and its related parties for the collection of rent are based on the terms of the agreement as there are no comparable transactions for comparison.

Related Party Category	For the Year Ended December 31	
	2019	2018
Deposit interest		
Substantial related party	$ 4	$ -

d. Rental arrangements

Line Item	Related Party Category/Names	December 31	
		2019	2018
Other payables to related parties	Substantial related party	$ 98	$ -

Related Party Category	For the Year Ended December 31 2019	2018
Lease expense		
Substantial related party	$ 105	$ -

The terms of the transactions involving the payment of rental expenses to related parties were calculated based on the contracts as there were no similar transactions for comparison.

e. Manufacturing expenses

Related Party Category	For the Year Ended December 31 2019	2018
Substantial related party	$ -	$ 1,995

The transaction in which the Group made payments of manufacturing expenses to a related party was based on general terms and prices.

f. Operating expenses

Related Party Category	For the Year Ended December 31 2019	2018
Substantial related party	$ 122	$ -

The transaction in which the Group made payments of operating expenses to a related party was based on general terms and prices.

g. Receivables from related parties

Related Party Category	Line Item	December 31 2019	2018
Substantial related party	Accounts receivable from related parties	$ 454	$ 39

The outstanding accounts receivable from related parties were unsecured. No impairment losses were recognized for accounts receivable from related parties for the year ended December 31, 2019.

h. Guarantee deposits received

Related Party Category	December 31 2019	2018
Substantial related party	$ 356	$ 356

The above deposit margin for each related party is mainly generated by the lease deposit.

i. Property transactions

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Purchase Price
The Group's key management personnel	Note	1,158,000	Securities-FORCELEAD	$ 74,112

Note: A transaction in which the Group obtains financial assets from a related party is subject to a contractual agreement because there is no comparable transaction for comparison. (Note: Please refer to Note 28.)

j. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 169,884	$ 98,710
Share-based payment	6,612	(2,102)
Post-employment benefits	1,947	1,766
	$ 178,443	$ 98,374

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and the Group's profits.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Sensortek Technology Corp., a subsidiary of the Company, signed a contract with Wensheng Development Co., Ltd. for the pre-leasing of office and parking space on the 10th floor of U Building of the 8th phase of Taiyuan Science and Technology Park. The total transaction amount was $448,000 thousand and a refundable deposit of $5,355 thousand was paid. Sensortek Technology Corp. obtained approval from the board of directors on July 30, 2019, and is expected to purchase the aforementioned assets. As of the date of the auditor's report, no sales contract has been signed.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials guarantees:

	December 31	
	2019	2018
Pledged deposits	$ 498,424	$ 119,791

Pledged deposits are classified as financial assets measured at amortized cost-current.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31			
	2019		2018	
	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
Financial assets				
Monetary items				
USD	$ 92,987	29.980	$ 60,928	30.715
CNY	651	4.305	13,749	4.472
JPY	60,251	0.2760	90,782	0.2782
Non-monetary items				
USD	26,471	29.980	20,653	30.715
Financial liabilities				
Monetary items				
USD	90,036	29.980	67,374	30.715
JPY	85,029	0.2760	93,115	0.2782

The Group is mainly exposed to the USD, CNY and JPY. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ 7,479	1 (NTD:NTD)	$ 13,405
CNY	4.305 (CNY:NTD)	(50)	4.472 (CNY:NTD)	25
		$ 7,429		$ 13,430

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Financing provided to others: Table 1 (attached)

2) Endorsements/guarantees provided: Table 2 (attached)

3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: Note 7 and Note 31.

10) Intercompany relationships and significant intercompany transactions: Table 5 (attached)

11) Information on investees: Table 6 (attached)

c. Information on investments in mainland China: Table 7 and 8 (attached)

In the preparation of consolidated financial statements, major transactions between parent and subsidiary companies and their balances have been fully eliminated.

37. SEGMENT INFORMATION

a. The operating decision makers of the Group use the distribution of resources and the evaluation of segment performance to focus on the financial information of the Group as a whole, while individual companies have similar economic characteristics, and individual companies have used similar processes to produce similar products and sell them through the same sales method, so the Company and its subsidiaries are reported by the single operating department.

The Company and its subsidiaries provide the segment information reviewed by the operating decision maker on the same basis as the financial statements, and the profit and loss, assets and liabilities of the operating department are measured on the same basis as the combined financial Report preparation, Therefore, the segment income and operating results to be reported in 2019 and 2018 can be referenced by the combined consolidated income and loss Statement for 2019 and 2018.

Segment assets that should be reported can be found in the consolidated balance sheets for the years ended December 31, 2019 and 2018.

b. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31	
	2019	**2018**
Integrated circuits	$ 13,584,346	$ 10,172,277
Others	218,392	158,228
Total	$ 13,802,738	$ 10,330,505

c. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's net operating revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2019	2018	2019	2018
Hong Kong	$ 11,817,629	$ 8,847,013	$ -	$ -
Taiwan	673,515	730,627	1,212,574	1,170,425
Vietnam	563,043	119,577	-	-
China	365,382	480,686	49,659	18,313
Others	383,169	152,602	-	-
	$ 13,802,738	$ 10,330,505	$ 1,262,233	$ 1,188,738

Non-current assets exclude financial instruments and other tax assets.

d. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2019		2018	
	Amount	Percentage of Total Sales (%)	Amount	Percentage of Total Sales (%)
Customer A	$ 1,832,091	13	$ 1,704,803	17

TABLE 1

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Company	mCore Technology Corp.	Other receivables from related parties	Yes	$ 100,000	$ 100,000	$ 7,495	2.38%	For financing	$ -	Working capital	$ -	-	$ -	$ 1,093,180	$ 2,186,360
		Forcelead Technology Corp.	Other receivables from related parties	Yes	100,000	100,000	-	-	For financing	-	Working capital	-	-	-	1,093,180	2,186,360
		Infinno Technology Corp.	Other receivables from related parties	Yes	100,000	100,000	17,988	2.38%	For financing	-	Working capital	-	-	-	1,093,180	2,186,360
		Sync-Tech System Corp.	Other receivables from related parties	Yes	100,000	100,000	37,195	1.15%-2.38%	For financing	-	Working capital	-	-	-	1,093,180	2,186,360

Note 1: The description is as follows

1. Lender is numbered as 0.
2. Investee is numbered sequentially from 1.

Note 2: According to the "Financing providing and operation management method", the total amount and the available amount to any individual for lending are as follows：

1. The total amount for lending shall not exceed forty percent of SITRONIX's net worth .However the total amount lendable to any subsidiary for short-term financing could upper to the total available amount of the company.
2. The total amount for lending to or lending from any directly or indirectly hold foreign subsidiaries with 100% ownership, shall not exceed 40% of the net worth of the lending company. The total amount for lending to any individual shall not exceed 50% of the total available amount.
3. Where funds are lent to a company or business with business relationships with the Company, the total amount for lending to any individual shall not exceed the amount of business transaction between the two parties. Amount of business transaction defines the highest amount of purchase or sales.
4. The total amount for lending to any individual shall not exceed 50% of the Company's net worth for the company or firm that needs short-term financing.

TABLE 2

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Forcelead Technology Corp.	Subsidiary	$2,732,950	$ 300,000	$ 300,000	$ 179,880	$ -	5.49	$2,732,950	Yes	-	-
		Sync-Tech System Corp	Subsidiary	2,732,950	100,000	100,000	-	-	1.83	2,732,950	Yes	-	-
		mCore Technology Corp.	Subsidiary	2,732,950	100,000	100,000	15,085	-	1.83	2,732,950	Yes	-	-
		Infinno Technology Corp.	Subsidiary	2,732,950	100,000	100,000	8,994	-	1.83	2,732,950	Yes	-	-
		HeFei Sitronix Co., Ltd.	Subsidiary	2,732,950	400,000	400,000	84,933	-	7.32	2,732,950	Yes	-	Yes

Note 1: The description is as follows

1. Lender is numbered as 0.

2. Investee is numbered sequentially from 1.

Note 2: According to the “endorsement guarantee operation management measures” of Sitronix Technology Corp. the total amount of endorsement guarantee shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA. The amount of endorsement guarantee for a single enterprise shall not exceed 25% of the net value of the most recent year’s financial statements audited by CPA However, the amount of endorsement guarantee for a company that directly and indirectly holds more than 50% of the voting shares of the company shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA..

TABLE 3

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares(Note 5)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Bond							
	FORCAY 3.375% 04/22/2025, USD bond	-	Financial assets at amortized cost-non-current	-	$ 30,542	-	$ 30,542	Note 2
	Adimmune Corporation First Secured Convertible bond	-	Financial assets at fair value through other comprehensive income-current	-	57,500	-	57,500	Note 1
	Honhai 2.25% 09/23/2021, USD bond	-	Investments in debt instruments at FVTOCI-non-current	-	14,903	-	14,903	Note 1
	EVA Air Third Secured unsecured Convertible bond	-	Financial assets at fair value through other comprehensive income-non-current	-	18,322	-	18,322	Note 1
	APAQ TECHNOLOGY CO., LTD. Second unsecured Convertible bond asset swap	-	Financial assets at fair value through other comprehensive income-non-current	-	16,165	-	16,165	Note 1
	Fund							
	Fubon SSE180 ETF	-	Financial assets at fair value through other comprehensive income-current	832	26,283	-	26,283	Note 1
	Share							
	YOUNGTEK ELECTRONICS CORPORATION	-	Investments in equity instruments at FVTOCI-current	300	15,780	-	15,780	Note 1
	T3EX GLOBAL HOLDINGS CORP.	-	Investments in equity instruments at FVTOCI-current	604	14,587	-	14,587	Note 1
	TUNG HO STEEL ENTERPRISE CORP.	-	Investments in equity instruments at FVTOCI-current	784	18,032	-	18,032	Note 1
	CTCI CORPORATION	-	Investments in equity instruments at FVTOCI-current	537	20,460	-	20,460	Note 1
	SILICON POWER COMPUTER &COMMUNICATIONS INC.	-	Investments in equity instruments at FVTOCI-current	4,149	106,829	-	106,829	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares(Note 5)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	CTBC Financial Holding Co., Ltd.	-	Investments in equity instruments at FVTOCI-current	1,850	$ 41,440	-	$ 41,440	Note 1
	MIRLE AUTOMATION CORPORATION	-	Investments in equity instruments at FVTOCI-current	336	13,353	-	13,353	Note 1
	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E	-	Investments in equity instruments at FVTOCI-current	211	11,689	-	11,689	Note 1
	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E (2)	-	Investments in equity instruments at FVTOCI-current	292	15,914	-	15,914	Note 1
	KOWNG LUNG Preferred Share A	-	Investments in equity instruments at FVTOCI-current	345	18,561	-	18,561	Note 1
	TAIWAN FERTILIZER CO., LTD.	-	Investments in equity instruments at FVTOCI-current	369	18,284	-	18,284	Note 1
	WPG Holdings Limited Preferred Share A	-	Investments in equity instruments at FVTOCI-current	400	20,680	-	20,680	Note 1
	Magnachip Semiconductor Corporation	-	Investments in equity instruments at FVTOCI-current	91	31,513	-	31,513	Note 1
	Equity Investment							
	HANS GLOBAL SELECT FUND LIMITED	-	Investments in equity instruments at FVTOCI-non-current	120	358,051	-	358,051	Note 3
	United MD Fund Participating Share Class D	-	Investments in equity instruments at FVTOCI-non-current	3,050	25,891	50	25,891	Note 3
Sitronix Investment Corp	Fund							
	Yuanta/P-shares Taiwan Top 50 ETF	-	Financial assets at fair value through other comprehensive income-current	50	4,848	-	4,848	Note 1
	Share							
	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	-	Financial assets at fair value through other comprehensive income-current	25	8,275	-	8,275	Note 1
	Equity Investment							
	HANS GLOBAL SELECT FUND LIMITED	-	Investments in equity instruments at FVTOCI-non-current	112	332,689	-	332,689	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019 Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Forcelead Technology Corp.	Bond							
	Tong Ming Enterprise Co., Ltd. First unsecured Convertible bond asset swap	-	Financial assets at fair value through other comprehensive income-non-current	-	$ 17,852	-	$ 17,852	Note 1
	Share							
	WPG Holdings Limited Preferred Share A	-	Investments in equity instruments at FVTOCI-non-current	150	7,755	-	7,755	Note 1

Note 1: It is calculated based on the closing price on December 31, 2019.

Note 2: It is listed by book value.

Note 3: It is calculated based on the net value on December 31, 2019.

Note 4: On December 31, 2019, the above listed securities did not provide guarantees, pledge loans or other restricted users.

Note 5: The number of shares and the number of units are thousand share and thousand.

Note 6: The “securities” mentioned in this table refer to the securities, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of IFRS 9 “Financial Instruments”.

(Concluded)

TABLE 4

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Sensortek Technology Corp.	Substantial related party	Purchase	$ 937,342	20	After acceptance net 60 days from monthly closing date	$ -	-	$ 175,262	13	-

TABLE 5

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sitronix Technology Corporation	Sensortek Technology Corp.	from the parent company to the subsidiary.	Sales	$ 29,553	-	-
				Purchases	937,342	-	7%
				Rental income	4,348	-	-
				Accounts receivable	7,010	-	-
				Accounts payable	175,262	-	2%
		Forcelead Technology Corp.	from the parent company to the subsidiary.	Sales	10,214	-	-
				Rental income	1,733	-	-
				Accounts receivable	2,802	-	-
				Other receivables	1,507	-	-
		Infinno Technology Corp.	from the parent company to the subsidiary.	Sales	8,930	-	-
				Rental income	1,733	-	-
				Accounts receivable	2,329	-	-
				Other receivables	18,714	-	-
		mCore Technology Corp.	from the parent company to the subsidiary.	Sales	12,823	-	-
				Purchases	63,462	-	-
				Expenditure on technical Services	1,236	-	-
				Rental income	2,215	-	-
				Other receivables	7,966	-	-
				Accounts receivable	3,282	-	-
				Accounts payable	9,673	-	-
		Sync-Tech System Corp.	from the parent company to the subsidiary.	Sales	2,869	-	-
				Other receivables	38,913	-	-
				Other payables	11,804	-	-
				Right-of-use assets	1,298	-	-
				Lease liabilities	1,309	-	-
				Rental income	15,100	-	-
				Production overheads	57,590	-	-
		Sitronix Technology (Shenzhen) Co., Ltd.	from the parent company to the subsidiary.	Professional service fees	116,522	-	1%
		HeFei Sitronix Co., Ltd.	from the parent company to the subsidiary.	Sales	11,402	-	-
1	Forcelead Technology Corp.	Sync-Tech System Corp.	from the subsidiary to the subsidiary.	Production overheads	6,571	-	-

Note 1: The purchase transactions of the Company and its subsidiaries, their trading prices and collection conditions, are not significantly different from those of non-subsidiaries, and the rest of the transactions with the subsidiaries are calculated in accordance with the contract agreement.

Note 2: The transaction of the Forcelead Technology Corp. and the Sync-Tech System Corp. is calculated according to the agreement between the two parties.

TABLE 6

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Foreign Currencies in Thousands)		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of (Loss) Profit
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	% of Ownership	Carrying Amount		
The Company	Sitronix Investment Corp.	Taiwan	Investment	$ 367,270	$ 367,270	32,977	100.00	$ 358,248	$ 3,021	$ 3,021
	Forcelead Technology Corp.	Taiwan	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	561,059	349,731	32,987	84.14	515,829	152,487	117,320
	Sensortek Technology Corp.	Taiwan	R&D, design and sales of sensor integrated circuit products	97,581	99,020	19,056	50.44	920,055	1,322,900	672,986
	mCore Technology Corp.	Taiwan	Providing solutions for consumer display and voice/audio related applications.	131,074	131,074	9,583	90.73	101,587	5,419	4,917
	Sync-Tech System Corp.	Taiwan	Design, Manufacturing and Maintenance of Probe card	99,127	95,000	9,844	50.80	94,718	50,088	26,877
	Infinno Technology Corp.	Taiwan	Comprehensive line of Power supervisor IC design	164,505	164,505	13,290	63.99	40,632	(16,010)	(10,245)
	ezGreen Inc.	Taiwan	Software design and electronic information supply services	30,000	-	3,000	100.00	16,470	(13,530)	(13,530)
	Sitronix Technology (Belize) Corp.	Belize city, Belize	International trade	59,960 (USD 2,000)	59,960 (USD 2,000)	2,000	100.00	107,725	4,029	4,029
	Sitronix Holding International Ltd.	Samoa	Investment	59,960 (USD 2,000)	59,960 (USD 2,000)	2,000	100.00	79,038	1,229	1,229
Sitronix Investment Corp.	Forcelead Technology Corp.	Taiwan	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	10	10	2	-	26	152,487	7
	Sensortek Technology Corp.	Taiwan	R&D, design and sales of sensor integrated circuit products	10	10	2	-	93	1,322,900	68
	Infinno Technology Corp.	Taiwan	Comprehensive line of Power supervisor IC design	10	10	1	-	2	(16,010)	-
Sitronix Technology (Belize) Corp.	Sitronix Technology (Mauritius) Corp.	Public of Mauritius	International trade	USD 2,000	USD 2,000	2,000	100.00	107,723	4,029	4,029

Note 1: Foreign currency values were converted at the exchange rate of US dollars to NT dollars as of December 31, 2019.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Foreign Currencies in Thousands)	Remittance of Funds: Outward (Foreign Currencies in Thousands)	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
Sitronix Technology (Shenzhen) Co., Ltd.	Computer software and hardware development, sales and after-sales service business and related technical consulting services	$ 11,992 (USD 400)	Note 1	$ 11,992 (USD 400)	$ -	$ -	$ 11,992 (USD 400)	$ 2,391	100	$ 2,391	$ 17,477	$ 10,237
HeFei ezGreen Co., Ltd.	Design, sales and technical services of Supplier management software development	8,610 (CNY 2,000)	Note 4	8,610 (CNY 2,000)	-	-	8,610 (CNY 2,000)	(3,104)	100	(3,104)	5,353	-
HeFei Sitronix Co., Ltd.	R&D, design, sales and technical services of integrated circuits and system hardware and software	107,625 (CNY 25,000)	Note 5	32,288 (CNY 7,500)	64,575 (CNY15,000)	-	96,863 (CNY 22,500)	37,026	90	32,412	133,536	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Foreign Currencies in Thousands)	Investment Amount Authorized by the Investment Commission, MOEA (Foreign Currencies in Thousands)	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
$ 121,509 (US$ 4,053)	$ 256,329 (US$ 8,550)	$3,279,540

Note 1: The Company invested in Sitronix Technology (Shenzhen) Co., Ltd. located in mainland China indirectly through the existing company in the third country. The Company has directly invested in Sitronix Technology Shenzhen Co., Ltd. since August 31, 2019, due to the Group ‘s reorganization.

Note 2: The foreign currencies are converted at the US dollar and CNY dollar exchange rate of December 31, 2019.

Note 3: According to the Investment Commission, MOEA, 60% of the net value of investments in mainland China is set.

Note 4: Direct Investment, as of December 31, 2019, the total investment amount approved by the Investment Commission, MOEA, is CNY 10,000 thousand, the investment money of the company has exported CNY 2,000 thousand.

Note 5: Direct Investment, as of December 31, 2019, the total investment amount approved by the Investment Commission, MOEA, is CNY 45,000 thousand, the investment money of the company has exported CNY 22,500 thousand.

TABLE 8

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Transaction Type	Total Operating Expenses		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
The Company	Sitronix Technology (Shenzhen) Co., Ltd.	Professional service fees	$ 116,522	8	Calculated based on the contract	Calculated based on the contract	No related similar transactions to follow	$ -	-	$ -	-

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sitronix Technology Corporation

Opinion

We have audited the accompanying financial statements of Sitronix Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements Section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements for the year ended December 31, 2019. 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.

The key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

<u>Recognition of sales revenue</u>

The Company's main source of revenue comes from the sale of goods. For the year ended December 31, 2019, the revenue recognized was NT$8,306,120 thousand, please refer to Notes 4 and 23 for information of accounting policy of revenue recognition. Such revenue is recognized when the goods are transferred to the customer and the performance obligations are met. The revenue recognition process is that after receiving customers' order and checking the transaction conditions, the business unit creates a manufacturing notice in the system, and enters into the production schedule after obtaining the approval from the supervisor. As soon as the production is completed, the productiont unit would issue packing lists and invoices from the system, the Company would obtain signed packing list or the bill of ladings from the shipping companies when those shipping companies pick up the goods, then the system would check the shipping-related information, to generate the sales details. The accounting officers would recognize sales revenue according to the sales details.

We have assessed that the customers of the Company whose annual revenue growth rates for 2019 have changed significantly to be subject to the risk of validity of revenue recognition. Therefore, our audit procedures performed with respect to these customers to confirm the validity of revenue recognition of the Company include the following:

1. We understood and tested the effectiveness of the design and implementation of the key internal controls over revenue recognition;

2. We sampled and inspected the validity of the background information of customers that had significant changes in the annual sales revenue growth rate and understood the reasonableness of such customers' credit terms;

3. We sampled and inspected whether an original purchase order existed for each sale and was approved appropriately;

4. We inspected product names and quantities on notifications of manufacturing, invoices and goods receipt and inspected the amounts to ensure they were consistent.

5. We inspected the reasonableness of collection of accounts receivable and whether the collection amounts and counterparties were consistent with the revenue recognized.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of 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, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 the 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 auditors' 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 Cheng Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

<u>Notice to Readers</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	$ 1,317,028	17	$ 1,046,299	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	117,604	1	75,840	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	315,609	4	187,259	3
Financial assets at amortized cost - current (Notes 4, 9, 31 and 33)	149,355	2	166,302	3
Notes receivables and trade receivable (Notes 4, 10 and 31)	846,153	11	950,215	14
Notes receivable and trades receivable from related parties (Notes 31 and 32)	16,216	-	16,738	-
Other receivables (Notes 10 and 31)	55,014	1	26,363	-
Other receivables from related parties (Notes 31 and 32)	67,223	1	88,324	1
Inventories (Notes 4, 5 and 11)	1,017,895	13	1,378,966	20
Prepayments	93,587	1	75,095	1
Other current assets (Notes 17 and 31)	3,631	-	10,685	-
Total current assets	3,999,315	51	4,022,086	58
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	34,487	-	67,070	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	398,845	5	332,430	5
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	30,542	-	31,386	-
Investment accounted for using the equity method (Notes 4, 12, 28 and 32)	2,390,668	30	1,433,903	21
Property, plant and equipment (Notes 4 and 13)	416,017	5	454,410	6
Right-of-use assets (Notes 3, 4, 14 and 32)	39,763	1	-	-
Investment properties (Notes 4 and 15)	526,960	7	535,150	8
Intangible assets (Notes 4 and 16)	30,291	-	40,400	1
Other non-current assets (Notes 17 and 31)	49,153	1	5,910	-
Total non-current assets	3,916,726	49	2,900,659	42
TOTAL	$ 7,916,041	100	$ 6,922,745	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 18, 29 and 31)	$ 278,814	4	$ 445,368	6
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	178	-	1,090	-
Trade payables (Notes 19 and 31)	1,214,318	16	1,019,841	15
Payables to related parties (Notes 31 and 32)	185,166	2	102,633	2
Accrued profit sharing bonus to employees' compensation and remuneration of directors (Note 24)	143,029	2	98,323	1
Other payables (Notes 20 and 31)	360,317	5	345,198	5
Other payables to related parties (Notes 31 and 32)	11,804	-	6,765	-
Current tax liabilities (Notes 4 and 25)	104,623	1	78,908	1
Lease liabilities - current (Notes 3, 4, 14, 29 and 32)	23,973	-	-	-
Other current liabilities (Notes 20 and 31)	26,391	-	37,634	1
Total current liabilities	2,348,613	30	2,135,760	31
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	5,136	-	610	-
Lease liabilities - non-current (Notes 3, 4, 14, 29 and 32)	13,006	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	46,646	1	51,318	1
Other non-current liabilities (Notes 29 and 31)	36,740	-	22,791	-
Total non-current liabilities	101,528	1	74,719	1
Total liabilities	2,450,141	31	2,210,479	32
EQUITY (Notes 4, 22, 27 and 28)				
Share capital				
Ordinary shares	1,201,369	15	1,202,226	17
Capital surplus	772,321	10	761,304	11
Retained earnings				
Legal reserve	959,529	12	875,493	13
Special reserve	251,947	3	26,644	-
Unappropriated earnings	2,358,260	30	2,124,198	31
Total retained earnings	3,569,736	45	3,026,335	44
Other equity				
Exchange differences on translating the financial statement of foreign operations	(9,688)	-	(846)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(67,838)	(1)	(251,101)	(4)
Unearned compensation of employees	-	-	(25,652)	-
Total other equity	(77,526)	(1)	(277,599)	(4)
Total equity	5,465,900	69	4,712,266	68
TOTAL	$ 7,916,041	100	$ 6,922,745	100

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

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4 and 23)	$ 8,306,120	100	$ 7,503,697	100
OPERATING COSTS (Notes 4, 11, 24 and 32)	6,485,879	78	5,697,612	76
GROSS PROFIT	1,820,241	22	1,806,085	24
OPERATING EXPENSES (Notes 4, 24 and 32)				
Selling and marketing expenses	169,487	2	164,179	2
General and administrative expenses	196,595	2	155,033	2
Research and development expenses	1,088,913	13	936,621	13
Total operating expenses	1,454,995	17	1,255,833	17
OTHER OPERATING INCOME AND EXPENSES	9,805	-	-	-
INCOME FROM OPERATIONS	375,051	5	550,252	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 24 and 32)	76,447	1	68,977	1
Other gains and losses (Notes 4 and 24)	14,166	-	10,388	-
Finance costs (Notes 4, 24 and 32)	(7,993)	-	(7,906)	-
Share of profit of subsidiaries (Notes 4 and 12)	834,811	10	282,885	4
Total non-operating income and expenses	917,431	11	354,344	5
INCOME BEFORE INCOME TAX	1,292,482	16	904,596	12
INCOME TAX EXPENSE (Notes 4 and 25)	61,894	1	64,233	1
NET INCOME FOR THE YEAR	1,230,588	15	840,363	11
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss: (Notes 4, 21 and 22)				
Remeasurement of defined benefit plans	2,208	-	4,599	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	121,594	1	(86,278)	(1)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	80,082	1	(61,152)	(1)

(Continued)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss (Notes 4 and 22):				
Exchange differences on translating the financial statements of foreign operations	$ (8,842)	-	$ 97	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	88	-	251	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	34	-	(33)	-
Other comprehensive income (loss) for the year, net of income tax	195,164	2	(142,516)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,425,752	17	$ 697,847	9
EARNINGS PER SHARE (Note 26)				
Basic	$ 10.27		$ 7.03	
Diluted	$ 10.17		$ 6.94	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 22)			Retained Earnings			Other Equity (Notes 4, 22 and 27)				
	Shares (In Thousands)	Amount	Capital Surplus (Notes 22 and 28)	Legal Reserve	Special reserve	Unappropriated Earnings (Note 22)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Compensation of Employees	Total Equity
BALANCE AT JANUARY 1, 2018	120,518	$ 1,205,176	$ 785,875	$ 788,177	$ 8,728	$ 1,969,197	$ (943)	$ (25,701)	$ -	$ (50,850)	$ 4,679,659
EFFECT OF RETROSPECTIVE APPLICATION	-	-	-	-	-	81,235	-	25,701	(106,936)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	120,518	1,205,176	785,875	788,177	8,728	2,050,432	(943)	-	(106,936)	(50,850)	4,679,659
Appropriation of 2017 earnings											
Legal reserve	-	-	-	87,316	-	(87,316)	-	-	-	-	-
Special reserve	-	-	-	-	17,916	(17,916)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(662,847)	-	-	-	-	(662,847)
Other changes in capital surplus											
Changes in percentage of ownership interests in subsidiaries	-	-	3,014	-	-	(70)	-	-	-	-	2,944
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	(5,337)	(5,337)
Restricted employee rights, new shares are not vested	(295)	(2,950)	(27,585)	-	-	-	-	-	-	30,535	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(3,047)	-	-	3,047	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	840,363	-	-	-	-	840,363
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	-	4,599	97	-	(147,212)	-	(142,516)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	844,962	97	-	(147,212)	-	697,847
BALANCE AT DECEMBER 31, 2018	120,223	1,202,226	761,304	875,493	26,644	2,124,198	(846)	-	(251,101)	(25,652)	4,712,266
Appropriation of 2018 earnings											
Legal reserve	-	-	-	84,036	-	(84,036)	-	-	-	-	-
Special reserve	-	-	-	-	225,303	(225,303)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(601,113)	-	-	-	-	(601,113)
Other changes in capital surplus											
Actual acquisition or disposal of interests in subsidiaries	-	-	(2,041)	-	-	(106,817)	-	-	-	-	(108,858)
Changes in percentage of ownership interests in subsidiaries	-	-	21,071	-	-	-	-	-	-	-	21,071
Compensation cost of restricted shares for employees	-	-	-	-	-	-	-	-	-	16,782	16,782
Restricted employee rights, new shares are not vested	(86)	(857)	(8,013)	-	-	-	-	-	-	8,870	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,535	-	-	(18,535)	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	1,230,588	-	-	-	-	1,230,588
Other comprehensive income (loss) for year ended December 31, 2019, net of income tax	-	-	-	-	-	2,208	(8,842)	-	201,798	-	195,164
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,232,796	(8,842)	-	201,798	-	1,425,752
BALANCE AT DECEMBER 31, 2019	120,137	$ 1,201,369	$ 772,321	$ 959,529	$ 251,947	$ 2,358,260	$ (9,688)	$ -	$ (67,838)	$ -	$ 5,465,900

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

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,292,482	$ 904,596
Adjustments for:		
Depreciation expense	149,534	120,078
Amortization expense	25,782	24,133
Net gain on fair value changes of financial assets at fair value through profit or loss	(16,225)	(17,410)
Finance costs	7,993	7,906
Interest income	(18,849)	(17,285)
Dividend income	(13,858)	(9,073)
Compensation cost of share-based payment	16,782	(5,337)
Share of profits of subsidiaries	(834,811)	(282,885)
(Gain) loss on disposal of property, plant and equipment	(9,662)	3
Write-downs of inventories	13,871	9,000
Unrealized net loss (gain) on foreign currency exchange	14,906	(3,876)
Deferred other income	-	(644)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	89,432	(462,625)
Receivables from related parties	537	349,875
Other receivables	(28,896)	38,941
Other receivables from related parties	1,308	(2,256)
Inventories	347,200	(171,488)
Prepayments	(18,492)	(15,428)
Other current assets	7,054	(6,331)
Trade payables	211,622	171,715
Payables to related parties	86,053	55,326
Other payables	28,482	(4,678)
Other payables to related parties	5,039	(3,414)
Other current liabilities	(11,243)	21,713
Net defined benefit liabilities	(2,464)	(1,638)
Accrued profit sharing bonus to employees' compensation and remuneration of directors	44,706	(3,836)
Cash generated from operations	1,388,283	695,082
Interest received	19,093	15,816
Interest paid	(7,623)	(6,988)
Income tax paid	(31,653)	(74,471)
Net cash generated from operating activities	1,368,100	629,439

(Continued)

SITRONIX TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ (82,191)	$ (149,269)
Disposal of financial assets at fair value through other comprehensive income	9,109	72,596
Purchase of financial assets measured at amortized cost	(770,365)	(344,502)
Proceeds from the return of principle of financial assets at amortized cost	787,312	203,879
Purchase of financial assets at fair value through profit or loss	(42,996)	(137,646)
Proceeds from sale of financial assets at fair value through profit or loss	49,128	455,322
Acquisition of subsidiaries	(334,167)	(104,182)
Increase in prepayments for investment	(30,000)	-
Net cash inflow on disposal of subsidiaries	59,010	5,000
Payments for property, plant and equipment	(93,220)	(137,053)
Proceeds from disposal of property, plant and equipment	15,001	-
Increase in refundable deposits	(1,020)	(664)
Decrease (increase) in other receivable from related parties	19,409	(62,466)
Payment of intangible assets	(15,673)	(14,287)
Increase in prepayments for equipment	(12,224)	(160)
Dividends received	149,342	65,633
Net cash used in investing activities	(293,545)	(147,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,019,901	2,743,106
Repayments of short-term borrowings	(2,183,250)	(2,296,153)
Proceeds from guarantee deposits received	10,374	10,338
Repayment of the principal portion of lease liabilities	(25,030)	-
Cash dividends distributed	(601,113)	(662,847)
Net cash used in financing activities	(779,118)	(205,556)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(24,708)	5,725
NET INCREASE IN CASH AND CASH EQUIVALENTS	270,729	281,809
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,046,299	764,490
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,317,028	$ 1,046,299

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

1. GENERAL INFORMATION

Sitronix Technology Corporation (the Company) was incorporated in Taipei City, Taiwan (R.O.C.) in July 1992 and commenced operations in the same year. The principal place of business is located in Tai Yuen Hi-Tech Industrial Park, Hsinchu County. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips and focuses on display driver ICs (DDIs) for entry-level mobile phones, industrial displays and automotive systems.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since December 25, 2003.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors and authorized for issue on March 13, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

   1) IFRS 16 “Leases”

      IFRS 16 sets out the accounting standards for leases that supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

      The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Except for payments under low-value asset and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases on the parent company only balance sheets. On the parent company only statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities, which is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for both the principal portion and the interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the parent company only statements of cash flows. Leased assets and finance lease payables were recognized on the parent company only balance sheets for contracts classified as finance leases.

The Company applies IFRS 16 retrospectively but does not restate comparative information.

Leases agreements classified as operating leases under IAS 17 are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Company applied the following practical expedients:

a) The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.588%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$ 54,021
Less: Recognition exemption for short-term leases	(312)
Undiscounted gross amounts on January 1, 2019	$ 53,709
Discounted using the incremental borrowing rate on January 1, 2019	$ 52,684
Add: Adjustments as a result of a different treatment of extension options	6,642
Lease liabilities recognized on January 1, 2019	$ 59,326

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Right-of-use assets	$ -	$ 64,308	$ 64,308
Total effect on assets	$ -	$ 64,308	$ 64,308
Lease liabilities - current	$ -	$ 23,853	$ 23,853
Lease liabilities - non-current	-	35,473	35,473
Other noncurrent liabilities	22,791	4,982	27,773
Total effect on liabilities	$ 22,791	$ 64,308	$ 87,099

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Company recognized the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e., the debtor) to prepay a debt instrument or permits the holder (i.e., the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e., a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Company recognized the cumulative effect of retrospective application on retained earnings on January 1, 2019.

4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company applied the above amendments prospectively.

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates by using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent in the consolidated financial statements, the difference in the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiary in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

e. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted - average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties is transferred to property, plant and equipment at the carrying amount on the day when the supply for self-use begins.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

   Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Derecognition of intangible assets

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

   a) Measurement category

      Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets mandatorily measured or designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables measured at amortized cost, and time deposits with original maturities of over 3 months, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets;

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include short-term investments or time deposits with original maturities of less than three months, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends are recognized in profit and loss when the Company’s right to receive the dividends is established, unless they clearly represent a recovery of part of the cost of the investment, in which case, they are included in OCI.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and, investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party.

Derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross currency swaps and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 “Financial instruments” are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Sale of goods

Revenue from the sale of goods comes from sales of integrated circuits. Sales of integrated circuits are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Rendering of services

Service income is recognized when services are provided.

m. Leasing

<u>2019</u>

At the inception of a contract, the Company assesses whether the contract is, or contains a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in the lease terms, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

<u>2018</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represents the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future years if the revision affects both current and future years.

a. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31 2019	December 31 2018
Bank deposits	$ 702,290	$ 806,394
Cash on hand	162	178
Cash equivalents	614,576	239,727
	$ 1,317,028	$ 1,046,299

The market rate intervals of bank deposits and cash equivalents at the end of the reporting period were as follows:

	December 31 2019	December 31 2018
Bank deposits	0.001%-2.27%	0.001%-3.50%
Cash equivalents	0.51%-2.25%	0.48%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Mandatorily measured at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts (a)	$ 2,308	$ 168
Non-derivative financial assets		
Convertible bonds	57,500	54,000
Foreign listed shares	31,513	-
Domestic mutual funds investment	26,283	15,945
Convertible bond asset swaps	-	5,727
	$ 117,604	$ 75,840
Financial assets at FVTPL - non-current		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
Convertible bonds	$ 18,322	$ 21,620
Convertible bond asset swaps	16,615	45,450
	$ 34,487	$ 67,070
Financial liabilities at FVTPL - current		
Derivative financial liabilities		
Foreign exchange forward contracts (a)	$ 178	$ 10
Cross-currency swap contracts (b)	-	1,080
	$ 178	$ 1,090

a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD/NTD	2020.01.02	US$2,000/NT$60,810
Buy forward exchange contracts	NTD/USD	2020.01.31	NT$60,026/US$2,000
Sell forward exchange contracts	USD/NTD	2020.02.04	US$2,000/NT$60,548
Buy forward exchange contracts	NTD/USD	2020.02.14	NT$60,030/US$2,000
Sell forward exchange contracts	USD/NTD	2020.02.18	US$2,000/NT$60,270
Buy forward exchange contracts	NTD/USD	2020.03.24	NT$59,820/US$2,000
Sell forward exchange contracts	USD/NTD	2020.03.26	US$2,000/NT$60,070
Buy forward exchange contracts	NTD/USD	2020.03.27	NT$59,650/US$2,000
Sell forward exchange contracts	USD/NTD	2020.03.31	US$2,000/NT$59,918
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.31	US$2,000/NT$61,420
Buy forward exchange contracts	NTD/USD	2019.01.22	NT$76,700/US$2,500
Buy forward exchange contracts	NTD/USD	2019.02.11	NT$61,350/US$2,000

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

b. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2018

Notional Amount (In Thousands)		Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
US$	5,000	2019.01.02	-	4.00%
US$	1,000	2019.01.02	-	5.60%
US$	4,000	2019.01.08	-	LIBOR (1 MTH) +0.35%
US$	2,000	2019.02.13	-	LIBOR (3 MTH) +0.20%

The Company entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	**2018**
Current		
Investments in equity instruments at FVTOCI	$ 315,609	$ 187,259
Non-current		
Investments in equity instruments at FVTOCI	$ 383,942	$ 317,616
Investments in debt instruments at FVTOCI	14,903	14,814
	$ 398,845	$ 332,430

a. Investments in equity instruments at FVTOCI

	December 31	
	2019	**2018**
Current		
Domestic investments		
Listed shares (1) and (2)	$ 315,609	$ 187,259
Non-current		
Foreign investments		
Unlisted equity investments (1)	$ 383,942	$ 317,616

1) These investments in equity instruments are not held for trading. Instead, they are held for strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for purposes.

2) In 2019 and 2018, the Company acquired domestic listed companies' shares of listed companies at $82,191 thousand and $149,269 thousand for strategic investment purposes. The management designated these investments as at FVTOCI.

3) In order to manage credit concentration risk, the Company sold its ordinary shares of domestic listed companies for $9,109 thousand and transferred a gain of $611 thousand from other equity to retained earnings.

4) In 2018, the Company sold its ordinary shares of listed and unlisted companies in order to manage credit concentration risk. The selling price of $72,596 thousand and the Company transferred a loss of $3,047 thousand from other equity to retained earnings.

5) Dividends of $13,858 thousand and $9,073 thousand were recognized in 2019 and 2018 respectively. Those related to investments held at December 31, 2019 and 2018 were $13,858 thousand and $9,073 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2019	**2018**
Non-current		
Foreign corporate bonds	$ 14,903	$ 14,814

In September 2016, the Company purchased foreign corporate bonds for $15,654 thousand with a maturity date of September 2021 and a coupon rate of 2.25%.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	$ 120,400	$ 137,500
Pledged fixed deposits (b)	28,955	28,802
	$ 149,355	$ 166,302
Non-current		
Foreign investments		
Foreign corporate bonds (c)	$ 30,542	$ 31,386

a. The interest rates for time deposits with original maturities of more than 3 months ranged from 0.75%-1.065% and 0.75%-1.07% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Notes 33 for information relating to investments in financial assets at amortized cost pledged as security.

c. The Company purchased the priority unsecured US dollar debt issued by Formosa Group (Cayman) Limited at $32,675 thousand, with an expiry date of April 22, 2025 and the coupon rate of 3.375%.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Notes receivable	$ -	$ 4,257
Trade receivables	864,002	963,807
Less: Allowance for impairment loss	(17,849)	(17,849)
	$ 846,153	$ 950,215

(Continued)

	December 31	
	2019	**2018**
Other receivables		
Income tax refund receivable	$ 52,875	$ 23,744
Others	2,139	2,619
	$ 55,014	$ 26,363

(Concluded)

The average credit period of sales of goods was 30-120 days. No interest was charged on trade receivables. The Company adopted a policy of obtaining advance payment or sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own historical trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	Not Past Due	**Up to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount	$ 858,889	$ 12	$ -	$ 5,101	$ 864,002
Loss allowance (Lifetime ECLs)	(12,736)	(12)	-	(5,101)	(17,849)
Amortized cost	$ 846,153	$ -	$ -	$ -	$ 846,153

December 31, 2018

	Not Past Due	**Up to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount	$ 884,997	$ 72,220	$ 39	$ 6,551	$ 963,807
Loss allowance (Lifetime ECLs)	(75)	(11,184)	(39)	(6,551)	(17,849)
Amortized cost	$ 884,922	$ 61,036	$ -	$ -	$ 945,958

The movements of the loss allowance of trade receivables were as follows:

	2019	2018
Balance at January 1, and December 31	$ 17,849	$ 17,849

Compared with January 1, 2019, the total carrying amount of accounts receivable as of December 31, 2019 decreased by a net amount of $99,805 thousand, and the loss allowance did not decrease. The total amount of accounts receivable as of December 31, 2018 increased by a net amount $450,803 thousand and the loss allowance did not increase, which was due to the changes in accounts receivable of different risk groups.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 313,539	$ 420,392
Work in progress	561,576	777,456
Raw materials	142,766	181,118
Merchandise	14	-
	$ 1,017,895	$ 1,378,966

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $6,485,879 thousand and $5,697,612 thousand, respectively. The cost of goods sold included inventory write-downs of $13,871 thousand and $9,000 thousand for the years ended December 31, 2019 and 2018, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries		
Sensortek Technology Corp.	$ 920,055	$ 313,682
Forcelead Technology Corp.	515,829	392,178
Sitronix Investment Corp.	358,248	293,040
HeFei Sitronix Co., Ltd.	133,536	37,246
Sitronix Technology (Sitronix Belize) Corp.	107,725	114,068
mCore Technology Corp.	101,587	101,958
Sync-Tech System Corp.	94,718	60,314
Sitronix Holding International Ltd.	79,038	62,026
Infinno Technology Corp.	40,632	50,703
Sitronix Technology (Shenzhen) Co., Ltd.	17,477	-
ezGreen Inc.	16,470	-
HeFei ezGreen Co., Ltd.	5,353	8,688
	$ 2,390,668	$ 1,433,903

Name of Subsidiaries	Proportion of Ownership and Voting Rights December 31 2019	2018
Sensortek Technology Corp.	50.44%	53.93%
Forcelead Technology Corp.	84.14%	75.83%
Sitronix Investment Corp.	100.00%	100.00%
HeFei Sitronix Co., Ltd.	90.00%	75.00%
Sitronix Technology (Sitronix Belize) Corp.	100.00%	100.00%
mCore Technology Corp.	90.73%	90.73%
Sync-Tech System Corp.	50.80%	55.11%
Sitronix Holding International Ltd.	100.00%	100.00%
Infinno Technology Corp.	63.99%	63.99%
Sitronix Technology (Shenzhen) Co., Ltd.	100.00%	-
ezGreen Inc.	100.00%	-
HeFei ezGreen Co., Ltd.	100.00%	100.00%

The Company underwent organizational restructuring on August 31, 2019, where Sitronix Technology (Shenzhen) Co., Ltd, which was previously wholly-owned by second-tier subsidiary Mauritius Corp., was changed to being directly owned by the Company.

The Company invested in and obtained 100% ownership of ezGreen Inc. on January 8, 2019.

The Company invested in HeFei ezGreen Co., Ltd. and HeFei Sitronix Co., Ltd. on May 2, 2018, with proportion of Ownership of 100% and 75%, respectively.

Refer to Note 28 for the acquisitions and disposals of investments in subsidiaries.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited for the same periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Test Equipment	Office Equipment	Total
Cost						
Balance at January 1, 2018	$ 67,674	$ 267,604	$ 35,187	$ 411,871	$ 3,888	$ 786,224
Additions	-	4,481	9,910	122,549	113	137,053
Disposals	-	(3,002)	(325)	(83,440)	(205)	(86,972)
Balance at December 31, 2018	$ 67,674	$ 269,083	$ 44,772	$ 450,980	$ 3,796	$ 836,305
Accumulated depreciation						
Balance at January 1, 2018	$ -	$ 78,709	$ 25,948	$ 249,202	$ 3,117	$ 356,976
Additions	-	9,796	6,012	95,852	228	111,888
Disposals	-	(3,002)	(322)	(83,440)	(205)	(86,969)
Balance at December 31, 2018	$ -	$ 85,503	$ 31,638	$ 261,614	$ 3,140	$ 381,895
Balance at January 1, 2018	$ 67,674	$ 188,895	$ 9,239	$ 162,669	$ 771	$ 429,248
Carrying amount at December 31, 2018	$ 67,674	$ 183,580	$ 13,134	$ 189,366	$ 656	$ 454,410

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Test Equipment	Office Equipment	Total
Cost						
Balance at January 1, 2019	$ 67,674	$ 269,083	$ 44,772	$ 450,980	$ 3,796	$ 836,305
Additions	-	1,486	5,241	74,704	388	81,819
Disposals	-	-	(1,104)	(98,099)	(65)	(99,268)
Balance at December 31, 2019	$ 67,674	$ 270,569	$ 48,909	$ 427,585	$ 4,119	$ 818,856
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 85,503	$ 31,638	$ 261,614	$ 3,140	$ 381,895
Additions	-	10,139	6,360	98,099	275	114,873
Disposals	-	-	(1,104)	(92,760)	(65)	(93,929)
Balance at December 31, 2019	$ -	$ 95,642	$ 36,894	$ 266,953	$ 3,350	$ 402,839
Balance at January 1, 2019	$ 67,674	$ 183,580	$ 13,134	$ 189,366	$ 656	$ 454,410
Carrying amount at December 31, 2019	$ 67,674	$ 174,927	$ 12,015	$ 160,632	$ 769	$ 416,017

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Renovation construction	5 years
Machinery equipment	3-6 years
Test equipment	3-6 years
Office equipment	5-6 years

14. LEASE ARRANGEMENT

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 36,846
Office equipment	1,618
Machinery	1,299
	$ 39,763

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 1,926
Depreciation charge for right-of-use assets	
Buildings	$ 23,813
Office equipment	1,360
Machinery	1,298
	$ 26,471

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 23,973
Non-current	$ 13,006

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.595%
Office equipment	1.595%
Machinery	1.204%-1.595%

c. Material lease activities and terms (the Company is lessee)

The Company leases certain buildings for the use of plants, machinery and offices with lease terms of 3-6 years. The Company also leases office equipment of rental cars with a lease term of 5 years. The Company does not have bargain purchase or renewal options to acquire or renew the leases when they expire.

Machinery is leased from related parties, please refer to Note 32 ‘Transactions with related parties’ for more information.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Notes 15.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 701
Expenses relating to low-value asset leases	$ 67
Total cash outflow for leases	$ 25,798

The Company leases certain parking space which qualify as short-term leases and certain machinery which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 22,007
Later than 1 year and not later than 5 years	32,014
	$ 54,021

The lease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 20,642

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1 and December 31, 2018	$ 183,811	$ 416,415	$ 600,226
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 56,886	$ 56,886
Depreciation expense	-	8,190	8,190
Balance at December 31, 2018	$ -	$ 65,076	$ 65,076
Balance at January 1, 2018	$ 183,811	$ 359,529	$ 543,340
Carrying amount at December 31, 2018	$ 183,811	$ 351,339	$ 535,150

(Continued)

	Land	Buildings	Total
Cost			
Balance at January 1 and December 31, 2019	$ 183,811	$ 416,415	$ 600,226
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ 65,076	$ 65,076
Depreciation expense	-	8,190	8,190
Balance at December 31, 2019	$ -	$ 73,266	$ 73,266
Balance at January 1, 2019	$ 183,811	$ 351,339	$ 535,150
Carrying amount at December 31, 2019	$ 183,811	$ 343,149	$ 526,960

(Concluded)

The above mentioned investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of operating lease commitments in 2019 were follows:

	December 31, 2019
Year 1	$ 21,204
Year 2	20,734
Year 3	17,811
Later than 3 years	15,723
	$ 75,472

The total minimum lease payments to be collected in the future for non-cancellable operating leases in 2018 were as follows:

	December 31, 2018
No later than 1 year	$ 21,432
1-5 years	68,417
	$ 89,849

Investment properties are depreciated using the straight-line method over their estimated useful lives of 50 years.

The determination of fair values of the Company's investment properties was performed by independent qualified professional values of the China Real Estate Appraising Firm using Level 3 inputs. The evaluation is based on the cost method and the weighted average of the income method and the market comparison method. The significant unobservable input used include the discount rate, and the fair values as appraised are as follows:

	December 31	
	2019	**2018**
Fair value	$ 799,818	$ 794,532

All of the Company's investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

	Royalty	**Computer Software**	**Total**
Cost			
Balance at January 1, 2018	$ 76,138	$ 38,465	$ 114,603
Additions	1,853	12,434	14,287
Disposals	-	(1,460)	(1,460)
Balance at December 31, 2018	$ 77,991	$ 49,439	$ 127,430
Accumulated amortization			
Balance at January 1, 2018	$ 44,896	$ 19,461	$ 64,357
Amortization expenses	10,833	13,300	24,133
Disposals	-	(1,460)	(1,460)
Balance at December 31, 2018	$ 55,729	$ 31,301	$ 87,030
Balance at January 1, 2018	$ 31,242	$ 19,004	$ 50,246
Carrying amount at December 31, 2018	$ 22,262	$ 18,138	$ 40,400
Cost			
Balance at January 1, 2019	$ 77,991	$ 49,439	$ 127,430
Additions	4,537	11,136	15,673
Balance at December 31, 2019	$ 82,528	$ 60,575	$ 143,103
Accumulated amortization			
Balance at January 1, 2019	$ 55,729	$ 31,301	$ 87,030
Amortization expenses	10,774	15,008	25,782
Balance at December 31, 2019	$ 66,503	$ 46,309	$ 112,812
Balance at January 1, 2019	$ 22,262	$ 18,138	$ 40,400
Carrying amount at December 31, 2019	$ 16,025	$ 14,266	$ 30,291

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Royalty	2-10 years
Computer software	2-5 years

17. OTHER ASSETS

	December 31	
	2019	2018
Current		
Others	$ 3,631	$ 10,685
Non-current		
Prepayments for investments	$ 30,000	$ -
Refundable deposits	6,769	5,750
Prepayments for equipment	12,384	160
	$ 49,153	$ 5,910

18. SHORT-TERM BORROWINGS

	December 31	
	2019	2018
Short-term unsecured borrowings		
Bank loans	$ 278,814	$ 445,368

The range of weighted average effective interest rates on bank loans was 2.08% and 2.81%-2.88% as of December 31, 2019 and 2018, respectively.

19. TRADE PAYABLES

	December 31	
	2019	2018
Trade payables	$ 1,214,318	$ 1,019,841

The credit period for trade payables is 20-60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Payables for salaries and bonuses	$ 251,697	$ 233,839
Payables for research	10,753	13,343
Payables for equipment	10,365	21,766
Others	87,502	76,250
	$ 360,317	$ 345,198
Other liabilities		
Temporary receipts	$ 12,177	$ 15,886
Contract liabilities	8,152	18,069
Receipts under custody	4,074	3,679
Unearned receipts	1,988	-
	$ 26,391	$ 37,634

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts based on the actuarial report of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 95,776	$ 96,085
Fair value of the plan assets	(49,130)	(44,767)
Net defined benefit liabilities	$ 46,646	$ 51,318

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 98,359	$ (40,804)	$ 57,555
Service cost			
Current service cost	-	-	-
Net interest expense (income)	1,226	(521)	705
Recognized in profit or loss	1,226	(521)	705
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,099)	(1,099)
Actuarial loss - change in demographic assumptions	1,962	-	1,962
Actuarial gain - change in financial assumptions	(5,380)	-	(5,380)
Actuarial gain - experience adjustments	(82)	-	(82)
Recognized in other comprehensive income	(3,500)	(1,099)	(4,599)
Contributions from the employer	-	(2,343)	(2,343)
Balance at December 31, 2018	96,085	(44,767)	51,318
Service cost			
Past service cost	(595)	-	(595)
Net interest expense (income)	956	(455)	501
Recognized in profit or loss	361	(455)	(94)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,538)	(1,538)
Actuarial loss - change in demographic assumptions	1,017	-	1,017
Actuarial gain - change in financial assumptions	(473)	-	(473)
Actuarial gain - experience adjustments	(1,214)	-	(1,214)
Recognized in other comprehensive income	(670)	(1,538)	(2,208)
Contributions from the employer	-	(2,370)	(2,370)
Balance at December 31, 2019	$ 95,776	$ (49,130)	$ 46,646

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ -	$ -
Selling and marketing expenses	51	87
General and administrative expenses	97	168
Research and development expenses	(242)	450
	$ (94)	$ 705

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate	0.75%	1.00%
Expected rate of salary increase	4.00%	4.30%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	For the Year Ended December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (2,875)	$ (3,070)
0.25% decrease	$ 2,995	$ 3,204
Expected rate of salary increase		
0.25% increase	$ 2,892	$ 3,093
0.25% decrease	$ (2,794)	$ (2,982)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 2,357	$ 2,341
The average duration of the defined benefit obligation	12 years	12 years

22. EQUITY

a. Share capital

	December 31	
	2019	2018
Number of shares authorized (in thousands)	200,000	200,000
Share capital	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,137	120,223
Shares issued	$ 1,201,369	$ 1,202,226

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

The authorized shares include 20,000 thousand shares reserved for the exercise of employee stock options.

The changes in the Company's share capital are mainly due to the cancellation of the newly issued restricted shares as the new shares did not meet the required conditions.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 278,773	$ 278,773
Conversion of bonds	335,041	335,041
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	2,041
May be used to offset a deficit only		
Issuance of ordinary shares	123,222	69,595
Changes in percentage of ownership interests in subsidiaries (2)	35,285	14,214
May not be used for any purpose		
Employee restricted shares	-	61,640
	$ 772,321	$ 761,304

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be distributed in the following order:

1) Utilized for paying taxes.

2) Offsetting losses of previous years.

3) Setting aside as a legal reserve of 10% of the remaining profit (legal reserve that has reached the company's paid-in capital is not subject to this condition).

4) Setting aside or reversing a special reserve in accordance with the laws and regulations.

5) Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors and supervisors in Note 24(f).

The distribution of dividends to shareholders of the Company can be made in cash or shares, but the proportion of cash dividends distributed should not be less than 10% of the total dividends distributed. The dividends policy is dependent on the Company's current and future investment environment, capital needs, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balance of dividends and long-term financial planning of the Company, the board of directors plans to distribute the case to the shareholders' meeting.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 26, 2019 and June 27, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 84,036	$ 87,316
Special reserve	$ 225,303	$ 17,916
Cash dividends	$ 601,113	$ 662,847
Cash dividends per share (NT$)	$ 5.0	$ 5.5

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 13, 2020. The appropriation and dividends per share were as follows:

	2019
Legal reserve	$ 123,059
Reverse Special reserve	$ (174,421)
Cash dividends	$ 780,890
Cash dividends per share (NT$)	$ 6.5

The appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 24, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 26,644	$ 8,728
Appropriations in respect of		
Debits to other equity items	225,303	17,916
Balance at December 31	$ 251,947	$ 26,644

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (846)	$ (943)
Share from investments accounted for using the equity method	(8,842)	97
Balance at December 31	$ (9,688)	$ (846)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (251,101)	$ (106,936)
Recognized for the year		
Unrealized gain - debt instruments	88	251
Unrealized gain (loss) - equity instruments	121,594	(86,278)
Share from investments accounted for using the equity method	80,116	(61,185)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(18,535)	3,047
Balance at December 31	$ (67,838)	$ (251,101)

3) Unearned employee benefits

The shareholders of the Company approved a restricted share plan for employees (see Note 27).

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (25,652)	$ (50,850)
Share-based payment expenses recognized (reversal)	16,782	(5,337)
Cancellation of restricted shares for employees	8,870	30,535
Balance at December 31	$ -	$ (25,652)

23. REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Product		
Integrated circuits	$ 8,243,256	$ 7,450,970
Others	62,864	52,727
	$ 8,306,120	$ 7,503,697
Primary geographical markets		
Hong Kong	$ 6,687,702	$ 6,356,041
Taiwan	424,996	435,260
China	254,238	409,712
Others	939,184	302,684
	$ 8,306,120	$ 7,503,697

The basis of calculation of the Company’s revenue segregated by geographical location is mainly based on the location the goods were shipped as designated by the customers.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (Note 10)	$ 846,153	$ 945,958	$ 495,155
Contract liabilities - current (Note 20)			
Sales of goods	$ 8,152	$ 18,069	$ 1,933

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sales of goods	$ 14,999	$ -

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income	$ 37,282	$ 38,482
Interest income	18,849	17,285
Dividend income	13,858	9,073
Others	6,458	4,137
	$ 76,447	$ 68,977

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on financial assets designated as at FVTPL	$ 16,225	$ 17,410
Net foreign exchange gains	6,131	1,437
Depreciation of investment property	(8,190)	(8,190)
Other losses	-	(269)
	$ 14,166	$ 10,388

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 7,112	$ 7,906
Interest on lease liabilities	757	-
Other interest expenses	124	-
	$ 7,993	$ 7,906

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	**2018**
Property, plant and equipment	$ 114,873	$ 111,888
Investment properties	8,190	8,190
Right-of-use assets	26,471	-
Intangible assets	25,782	24,133
	$ 175,316	$ 144,211
An analysis of depreciation by function		
Operating expenses	$ 136,096	$ 100,564
Operating costs	5,248	11,324
Depreciation of investment property	8,190	8,190
	$ 149,534	$ 120,078
An analysis of amortization by function		
General and administrative expenses	$ 3,852	$ 2,484
Research and development expenses	21,930	21,649
	$ 25,782	$ 24,133

e. Employee benefits expense

	For the Year Ended December 31	
	2019	**2018**
Short-term benefits	$ 868,590	$ 748,790
Post-employment benefits (Notes 21)		
Defined contribution plans	25,676	24,238
Defined benefit plans	(94)	705
Share-based payments		
Equity-settled	16,782	(5,337)
Total employee benefits expense	$ 910,954	$ 768,396
An analysis of employee benefits expense by function		
Operating expenses	$ 910,954	$ 768,396

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 25%, and rates of no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 13, 2020 and March 15, 2019 respectively, are as follows:

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 110,023	$ -	$ 75,633	$ -
Remuneration of directors and supervisors	33,007	-	22,690	-

If there is a change in the amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 123,822	$ 118,612
Foreign exchange losses	(117,691)	(117,175)
Net gains	$ 6,131	$ 1,437

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 63,368	$ 65,242
Adjustments for prior years	(6,000)	(1,043)
	57,368	64,199
Deferred tax		
In respect of the current year	4,526	34
Income tax expense recognized in profit or loss	$ 61,894	$ 64,233

A reconciliation of accounting loss and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 1,292,482	$ 904,596
Income tax expense calculated at the statutory rate	$ 258,496	$ 180,919
Deductible items in determining taxable income	(167,561)	(58,941)
Tax-exempt income	(15,248)	(42,786)
Impact of the temporary differences	1,954	(10,885)
Effects of investment credits	(9,747)	(3,031)
Adjustments for prior years' tax	(6,000)	(1,043)
Income tax expense recognized in profit or loss	$ 61,894	$ 64,233

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 104,623	$ 78,908

c. Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

For the year ended December 31, 2019

Deferred Tax liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences	$ 610	$ 4,526	$ 5,136

For the year ended December 31, 2018

Deferred Tax liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences	$ 576	$ 34	$ 610

d. Deductible temporary differences for which no deferred assets have been recognized in the parent company only balance sheets

	December 31	
	2019	2018
Deductible temporary differences	$ 79,341	$ 72,890

e. The tax exemption periods for the Company's manufacture of high-order integrated circuit design-SOC, LCD Driver IC and other products are as follows:

Expansion of Construction Project	Tax-exemption Period
The eighth issuance of shares	2015.01.01-2018.09.30
The ninth issuance of shares	2016.01.01-2019.11.30

f. Information on unrecognized deferred income tax liabilities associated with investments

As of December 31, 2019 and 2018, there were no recognized taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities were recognized.

g. Income tax assessments

The Company's tax returns through 2017 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 10.27	$ 7.03
Diluted earnings per share	$ 10.17	$ 6.94

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Income for the Year

	For the Year Ended December 31	
	2019	**2018**
Net income for the year	$ 1,230,588	$ 840,363
Earnings used in the computation of basic earnings per share	$ 1,230,588	$ 840,363
Effect of potentially dilutive ordinary shares		
Employee restricted shares	-	-
Employee s' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,230,588	$ 840,363

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares in computation of basic earnings per share	119,796	119,461
Effect of potentially dilutive ordinary shares:		
Employee restricted shares	371	660
Employees' compensation	776	930
Weighted average number of ordinary shares in computation of diluted earnings per share	120,943	121,051

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Employee restricted shares

In the shareholders' meeting on June 22, 2016, the shareholders approved a restricted share plan for employees with a total amount of $15,000 thousand, consisting of 1,500 thousand shares. The aforementioned resolution was made effective by the FSC on July 15, 2016.

The board of directors of the Company approved the issuance of 1,500 thousand shares of restricted shares awards to employees in their meeting on August 5, 2016 totaling $15,000 thousand, with face value of $10 for each share, and the price of each share was NT$0 (that is, free of charge). The dates of issuance and distribution were both August 5, 2016, and the fair value of the shares on the date of distribution was $103.5.

After the employees have been awarded the restricted shares awards, if the employees remain employed by the Company at the end of the vesting periods in the table below, without violate any laws, labor contracts, work rules, work regulations and other agreements with the Company, and achieved the Company's set of business objectives, the maximum number of shares awarded will be based on the proportions in the table below, however, the actual proportion awarded will be based on the attainment of the Company's operating goals.

Vesting Period	Proportion
Remain employed by the Company for one year	25%
Remain employed by the Company for two years	30%
Remain employed by the Company for three years	45%

Employees who remain employed by the Company after the expiration of the vesting period and who have not violated the labor contract, work rules, etc., and have achieved the performance requirements of the Company, may receive the new shares.

The restrictions after the aforementioned employees are awarded or subscribed new shares, but not yet vested are as follows:

a. According to the trust agreement, after the employee acquired the new shares, the employee cannot sell, mortgage, transfer, donate, pledge, no objection to the right to buy, or other way due to disposal before the vested condition is reached. However, if there are other norms in this measure, they shall be followed.

b. The attendance, proposals, speeches, and voting rights of the shareholders' meeting shall be executed by the trust custodian institution according to law.

c. Employee restricted shares, after the new shares are issued, they should be immediately delivered to the trust, and the employee must not ask the trustee for any reason or manner to receive the return of the employee's rights to new shares before the vested condition is reached.

d. The new shares issued by the Company that restrict employee rights shall be handled in the form of stock trusts, and the Company or the person designated by the company shall sign and revise the trust related contracts on behalf of all the assigned employees. If the employees violate the aforementioned provisions or terminate the Company's or the agent's authorization to manage the trust before the vested conditions are met, the Company has the right to withdraw the shares from the trust with no charge and cancel those shares.

Relevant information on new shares of restricted employee share awards issued is as follows:

	Number of Shares (In Thousands of Shares)	
	2019	**2018**
Balance at January 1	659	1,125
Vested	(573)	(171)
Cancelled	(86)	(295)
Balance at December 31	-	659

Compensation costs recognized (reversed) were $16,782 thousand and $(5,337) thousand for the years ended December 31, 2019 and 2018, respectively.

28. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On July 26 2019, the Company subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 84.00% to 90.00%.

On February 15 2019, the Company subscribed for additional new shares of HeFei Sitronix Co., Ltd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75.00% to 84.00%.

Due to the distribution of employees' compensation in the form of shares by Sensortek Technology Corp. on March 4, 2019, the Company's shareholding percentage decreased from 53.93% to 51.18%. Due to partial disposal of Sensortek Technology Corp.'s shares on May 22, 2019, the shareholding ratio decreased from 51.18% to 50.44%.

On April 20 and October 19, 2018, as the Company repurchased some of the shares of Sensortek Technology Corp. and on May 30, 2018, Sensortek Technology Corp. distributed employees' compensation in the form of shares, the shareholding ratio increased from 53.74% to 53.93%.

On September 18, 2019, as the Company repurchased some of the shares of Forcelead Technology Corp., the shareholding ratio increased from 75.72% to 84.14%. Please refer to Note 32 Transactions with related parties.

Due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp. on June 24, 2019, the Company's shareholding percentage decreased from 75.83% to 75.72%.

On August 3, 2018, due to the distribution of employees' compensation in the form of shares by Forcelead Technology Corp., the Company's shareholding percentage decreased from 76.42% to 75.83%.

On December 23, 2019, due to the Sync-Tech system Corp.'s employees execute options to issue new shares, the Company's shareholding percentage decreased from 52.53% to 50.80%.

On July 29, 2019, the Company subscribed for additional new shares of Sync-Tech system Corp. at a percentage different from its existing ownership percentage, decreasing its continuing interest from 55.11% to 52.53%.

On November 28 and December 6, 2018, due to partial disposal of Sync-Tech's shares and the execution of employee stock options of Sync-Tech System Corp. on December 21, 2018, the shareholding ratio decreased from 58.96% to 55.11%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial acquisition of subsidiaries, refer to Note 28 to the Company's consolidated financial statements for the year ended December 31, 2019.

29. CASH FLOW INFORMATION

a. Changes in liabilities arising from financing activities

2019

	Opening Balance	Cash Flows	Non-cash Changes: Fair Value Adjustments	Non-cash Changes: New Leases	Non-cash Changes: Others (Note)	Closing Balance
Short-term borrowings	$ 445,368	$ (163,349)	$ (3,205)	$ -	$ -	$ 278,814
Lease liabilities	59,326	(25,030)	-	1,926	757	36,979
Guarantee deposits received	22,791	10,374	(1,487)	-	-	31,678
	$ 527,485	$ (178,005)	$ (4,692)	$ 1,926	$ 757	$ 347,471

2018

	Opening Balance	Cash Flows	Non-cash Changes: Fair Value Adjustments	Closing Balance
Short-term borrowings	$ -	$ 446,953	$ (1,585)	$ 445,368
Guarantee deposits received	12,453	10,338	-	22,791
	$ 12,453	$ 457,291	$ (1,585)	$ 468,159

Note: Other comprises with interest expense of lease liabilities.

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements are relatively close to their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,308	$ -	$ 2,308
Foreign listed shares	31,513	-	-	31,513
Domestic corporate funds	26,283	-	-	26,283
Convertible bond asset swaps	-	16,165	-	16,165
Convertible bonds	-	75,822	-	75,822
	$ 57,796	$ 94,295	$ -	$ 152,091
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 315,609	$ -	$ -	$ 315,609
Foreign unlisted equity investments	-	-	383,942	383,942
Investments in debt instruments at FVTOCI				
Foreign corporate bonds	14,903	-	-	14,903
	$ 330,512	$ -	$ 383,942	$ 714,454
Financial liabilities at FVTPL				
Derivatives	$ -	$ 178	$ -	$ 178

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 168	$ -	$ 168
Domestic corporate funds	15,945	-	-	15,945
Convertible bond asset swaps	-	51,177	-	51,177
Convertible bonds	-	75,620	-	75,620
	$ 15,945	$ 126,965	$ -	$ 142,910

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 187,259	$ -	$ -	$ 187,259
Foreign unlisted equity investments	-	-	317,616	317,616
Investments in debt instruments at FVTOCI				
Foreign corporate bonds	14,814	-	-	14,814
	$ 202,073	$ -	$ 317,616	$ 519,689
Financial liabilities at FVTPL				
Derivatives	$ -	$ 1,090	$ -	$ 1,090

(Concluded)

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Convertible bonds	Based on the public market quotes provided by third-party agencies.
Convertible bond asset swaps	Based on the public market quotation of convertible bond, the parameters of the repurchase, the coupon interest and the interest compensation are considered as the basis for fair value measurement.
Derivatives - foreign exchange forward contracts and cross-currency swap contracts	Discounted cash flow method: Estimate the future cash flow at the end of the period by observing the forward exchange rate and the exchange rate and interest rate set by the contract, and have already discounted the discount rate of each counterparty's credit risk.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Foreign unlisted equity investments are evaluated by the method of net asset value. The management of the company evaluates the target of such equity investments with the active market quotation, and the net asset amount tends to the fair value of the equity investments.

4) Adjustment of financial instruments measured using Level 3 fair values

The Company’s financial assets under level 3 fair value measurement are equity instruments measured at fair value through other comprehensive income.

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 317,616	$ 382,800
Disposals	-	(2,038)
Recognized in other comprehensive income	66,326	(63,146)
Balance at December 31	$ 383,942	$ 317,616

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 152,091	$ 142,910
Financial assets at amortized cost (1)	2,461,389	2,342,062
Financial assets at FVTOCI		
Equity instruments	699,551	504,875
Debt instruments	14,903	14,814
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	178	1,090
Financial liabilities at amortized cost (2)	2,062,596	1,953,760

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity nor than 3 months, pledge time deposits, notes and trade receivables(including receivables from related parties), other receivables(including other receivables from related parties), other current assets and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, payables to related parties, other payables, other payables to related parties and other current liabilities.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables and short-term borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change in the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company's operating activities are partially denominated in foreign currencies and thus have partial natural hedging effects.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to the USD, JPY and CNY.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact		**JPY Impact**		**CNY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ (1,354)	$ (25,561)	$ (406)	$ 52	$ 135	$ 3,068

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 1,142,842	$ 945,797
Cash flow interest rate risk		
Financial assets	317,617	260,727
Financial liabilities	278,814	445,368

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 would increase/decrease by $39 thousand, which was mainly attributable to the Company's exposure to interest rates on variable-rate net assets. The Company's pre-tax profit for the year ended December 31, 2018 would decrease/increase by $185 thousand, which was mainly attributable to the Company's exposure to interest rates on variable-rate net liabilities, and the Company's pre-tax other comprehensive income for the year ended December 31, 2019 and 2018 would both decrease/increase by $15 thousand, which was mainly due to the changes in the fair value of investments in fixed-rate debt instruments at FVTOCI.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and mutual funds investment. The Company does not actively trade these investments. The Company's equity price is concentrated in equity instrument operating in steel industry, semiconductor industry, finance and insurance industry, and Exchange Traded Fund quoted in the Taiwan Stock Exchange and Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax income for the year ended December 31, 2019 would have increase/decreased by 1,576 thousand as a result of changes in fair value of financial assets at FVTPL. If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2019 and 2018 would have increased/decreased by $15,780 thousand and $9,363 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk, which would cause financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the following the carrying amount of the respective recognized financial assets as stated in the balance sheets.

To mitigate credit risk, the management of the Company assigns a dedicated team responsible for credit line decisions, credit approvals and other monitoring procedures to ensure appropriate actions are taken for the collections of overdue receivables. In addition the Company reviews conditions on each collecting receivable to ensure the uncollectible amounts are provided with appropriate impairment losses. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

In addition, since the counterparties of liquidity and derivative financial instruments are banks with sound credit ratings, the credit risk is limited.

Apart from customers whose total accounts receivable constitute more than 10% of the Company's total accounts receivable, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company's concentration of credit risk was of 62% and 49% of total trade receivables as of December 31, 2019 and 2018, respectively. The credit risk is minimal because the customers which account for more than 10% of the Company's accounts receivable balance are creditworthy companies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 675,584	$ 912,385	$ 195,362	$ -	$ 1,783,331
Variable interest rate liabilities	-	279,265	-	-	279,265
Lease liabilities	2,104	4,076	18,257	12,995	37,432

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 642,865	$ 654,689	$ 209,920	$ -	$ 1,507,474
Variable interest rate liabilities	200,228	246,058	-	-	446,286

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates were to differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Foreign exchange forward contracts				
Inflows	$ 60,810	$ 420,728	$ 59,918	$ -
Outflows	(59,960)	(419,406)	(59,960)	-
	$ 850	$ 1,322	$ (42)	$ -

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Foreign exchange forward contracts				
Inflows	$ 138,208	$ 61,430	$ -	$ -
Outflows	(138,130)	(61,350)	-	-
	$ 78	$ 80	$ -	$ -
Cross-currency swap contracts				
Inflows	$ 307,150	$ 61,430	$ -	$ -
Outflows	(307,900)	(61,760)	-	-
	$ (750)	$ (330)	$ -	$ -

c) Financing facilities

	December 31	
	2019	2018
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 278,814	$ 445,368
Amount unused	2,735,496	2,594,300
	$ 3,014,310	$ 3,039,668

32. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Sensortek Technology Corp.	Subsidiary
Forcelead Technology Corp.	Subsidiary

(Continued)

Related Party Name	Related Party Category
mCore Technology Corp.	Subsidiary
Infinno Technology Corp.	Subsidiary
Sync-Tech System Corp.	Subsidiary
Sitronix Investment Corp	Subsidiary
HeFei Sitronix Co., Ltd.	Subsidiary
HeFei ezGreen Co., Ltd.	Subsidiary
ezGreen Inc.	Subsidiary
Sitronix Technology (Mauritius) Corp. (Mauritius Corp.)	Subsidiary
Sitronix Technology (Shenzhen) Co., Ltd.	Subsidiary
Silicon Power Computer & Communications Inc.	Related party in substance
ezGlobal Corp.	Related party in substance
Vincent Mao	The key management the Company
Wen Bin Lin	The key management the Company
Chun Sheng Lin	The key management the Company
I Hsi Cheng	The key management the Company
Wei Wang	The key management the Company
Shu Fang Xu	The key management the Company
Meng Huang Liu	The key management the Company
Zheng Long Jiang	The key management of a subsidiary
Xi Hao Zhong	The key management of a subsidiary
Min Huei Jhang	The key management of a subsidiary
Ru Hung Chen	The key management of a subsidiary
Jian-Yuan Jhao	The key management of a subsidiary
Da-Hu Su	The key management of a subsidiary

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary		
Mauritius Corp.	$ -	$ 821,660
Others	75,792	42,765
Total	75,792	864,425
Substantial related party	102	37
	$ 75,894	$ 864,462

The transactions for related parties were negotiated under the terms of general transactions and prices.

c. Purchases

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary		
Sensortek Technology Corp.	$ 937,342	$ 297,139
Other	63,461	62,951
	$ 1,000,803	$ 360,090

Transactions involving the purchase of goods from related parties were made based on general terms and prices.

d. Manufacturing expenses

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 57,590	$ 41,787

As there were no similar transactions for comparison, the terms of the transactions involving payment of manufacturing expenses to related parties were calculated based on the contracts.

e. Expenditure on technical services

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 1,236	$ 5,173

As there were no similar transactions for comparison, the terms of the transactions involving the expenditure on technical services to related parties were calculated based on the contracts.

f. Operating expenses

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 117,143	$ 91,397

As there were no similar transactions for comparison, the terms of the transactions involving the payment of operating expenses to related parties were calculated based on the contracts.

g. Other operating income and expenses

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 143	$ -

As there were no similar transactions for comparison, the terms of the transactions involving the collection or payment of other operating income and expenses to related parties were calculated based on the contracts.

h. Lease arrangement - the Company is lessor

Lease income was as follows:

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary		
Sync-Tech System Corp.	$ 15,100	$ 14,014
Sensortek Technology Corp.	4,347	4,344
Others	5,911	5,900
Total	25,358	24,258
Substantial related party	2,037	2,034
	$ 27,395	$ 26,292
Calculation of deposit and interest		
Subsidiary	$ 25	$ -
Substantial related party	4	-
	$ 29	$ -

The Company leases investment properties, machinery and equipment to subsidiaries and related party in substance mainly through operating leases and the lease period is 5 to 6 years. Rental income from related parties are based on the agreements as there are no similar transactions for comparison.

i. Handling fee revenue

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 1,575	$ 1,350

The terms of the transactions of handling fees from related parties were calculated based on the agreements as there were no similar transactions for comparison.

j. Other revenue

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 423	$ 667

The terms of the transactions involving the receipt of other revenue from related parties were calculated based on the contracts as there were no similar transactions for comparison.

k. Rental arrangements - the Company is lessee

Related Party Category	For the Year Ended December 31 2019	2018
Right-of-use assets		
Subsidiary	$ 2,597	$ -

The Company obtained machinery which was recognized as right-of-use assets from its subsidiary, which had a lease term of 5 years. The Company does not have bargain purchase options to acquire the machinery at the end of the lease period.

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Lease liabilities	Subsidiary	$ 1,309	$ -

Related Party Category	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Interest expense		
Subsidiary	$ 32	$ -
Lease expense		
Subsidiary	$ -	$ 1,320

The terms of the transactions involving the payment of rental expenses to related parties were calculated based on the contracts as there were no similar transactions for comparison.

m. Disposals of other assets

		Proceeds		Gain (Loss) on Disposal	
		For the Year Ended December 31		For the Year Ended December 31	
Related Party	Category	2019	2018	2019	2018
Subsidiary	Prepayments	$ -	$ 220	$ -	$ -

As there were no similar transactions for comparison, the terms of the transactions involving the disposal of prepayments to related parties were determined based on the contracts.

n. Receivables from related parties

Related Party Category	December 31 2019	December 31 2018
Subsidiary		
Subsidiary	$ 16,158	$ 16,699
Substantial related party	58	39
	$ 16,216	$ 16,738

There is no guarantee for receivables from related parties. The amount of accounts receivable from related parties does not include the bad debt in 2019 and 2018.

o. Other receivables from related parties (excluding loans to related parties)

Related Party Category	December 31 2019	December 31 2018
Subsidiary	$ 4,545	$ 5,858

The other receivables from related parties are mainly generated from rental income, endorsement guarantee fees and collection and payment.

p. Payables to related parties

Related Party Category	December 31 2019	December 31 2018
Subsidiary		
Sensortek Technology Corp.	$ 175,262	$ 91,971
mCore Technology Corp.	9,673	10,431
Others	231	231
	$ 185,166	$ 102,633

There is no collateral pledged on the payables to related parties.

q. Other payables to related parties

Related Party Category	December 31 2019	December 31 2018
Subsidiary	$ 11,804	$ 6,765

Other payables to related parties are mainly due to technical service expenditure and manufacturing expenses.

r. Guarantee deposits received

Related Party Category	December 31 2019	December 31 2018
Subsidiary	$ 2,449	$ 2,163
Substantial related party	356	356
	$ 2,805	$ 2,519

The guarantee deposits received are mainly generated from the rental deposit.

s. Property transactions

Related Party Category	Item	Number of Shares	Transaction target	Acquisition price
The key management of the Company and its subsidiaries	Long-term equity investment accounted for using the equity method	1,158,000	Securities - Forcelead Technology Corp.	$ 74,112

The terms of the transaction involving the Company's acquisition of financial assets from the related party in September 2019 were determined based on the contract as there were no similar transactions for comparison.

t. Loans to related parties

Related Party Category	December 31 2019	2018
Other receivables from related parties		
Subsidiary	$ 62,678	$ 82,466
Interest Income		
Subsidiary	$ 1,171	$ 709

The Company provides short-term loans to subsidiaries with interest rates ranging from 1.15% to 2.38% and 1.25% to 3.54% in 2019 and 2018. As there are no similar transactions for comparison, the terms of the transaction are calculated in accordance with the contract.

u. Endorsements and guarantees provided by the Company

Related Party Category	December 31 2019	2018
Subsidiary		
Amount endorsed	$ 1,000,000	$ 1,100,000
Amount utilized	$ 288,892	$ 289,185

The Company provides endorsement guarantees for subsidiaries to obtain purchase contracts from suppliers and bank credit lines. The terms and conditions of the transaction for the collection of relevant handling fees shall be calculated according to the agreement of the contract, as there is no relevant similar transaction to follow.

v. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 58,718	$ 47,154
Share-based payments	6,612	(2,102)
Post-employment benefits	740	737
	$ 66,070	$ 45,789

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and the Company's profits.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials guarantees:

	December 31 2019	2018
Pledged deposits	$ 28,955	$ 28,802

Pledged deposits are classified as financial assets measured at amortized cost-current.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31			
	2019		2018	
	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
Financial assets				
Monetary items				
USD	$ 56,185	29.980	$ 35,966	30.715
JPY	31,621	0.2760	70,496	0.2782
CNY	625	4.305	13,723	4.472
Non-monetary items				
USD	15,374	29.980	11,845	30.715
Financial liabilities				
Monetary items				
USD	57,088	29.980	52,610	30.715
JPY	61,009	0.2760	66,724	0.2782

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	1:29.28 (USD:NTD)	$ 8,420	1:30.715 (USD:NTD)	$ 3,432
JPY	1:0.2760 (JPY:NTD)	85	1:0.2782 (JPY:NTD)	(6)
CNY	1:4.305 (CNY:NTD)	(20)	1:4.472 (CNY:NTD)	190
		$ 8,485		$ 3,616

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Financing provided to others: Table 1 (attached)

2) Endorsements/guarantees provided: Table 2 (attached)

3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: Note 7 and Note 31

10) Information on investee: Table 5 (attached)

c. Information on investments in mainland China: Tables 6 and 7 (attached)

TABLE 1

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Company	mCore Technology Corp.	Other receivables from related parties	Yes	$ 100,000	$ 100,000	$ 7,495	2.38%	For financing	$ -	Working capital	$ -	-	$ -	$ 1,093,180	$ 2,186,360
		Forcelead Technology Corp.	Other receivables from related parties	Yes	100,000	100,000	-	-	For financing	-	Working capital	-	-	-	1,093,180	2,186,360
		Infinno Technology Corp.	Other receivables from related parties	Yes	100,000	100,000	17,988	2.38%	For financing	-	Working capital	-	-	-	1,093,180	2,186,360
		Sync-Tech System Corp.	Other receivables from related parties	Yes	100,000	100,000	37,195	1.15%-2.38%	For financing	-	Working capital	-	-	-	1,093,180	2,186,360

Note 1: The description is as follows

1. Lender is numbered as 0.
2. Investee is numbered sequentially from 1.

Note 2: According to the ”Financing providing and operation management method”, the total amount and the available amount to any individual for lending are as follows：

1. The total amount for lending shall not exceed forty percent of SITRONIX’s net worth .However the total amount lendable to any subsidiary for short-term financing could upper to the total available amount of the company.
2. The total amount for lending to or lending from any directly or indirectly hold foreign subsidiaries with 100% ownership, shall not exceed 40% of the net worth of the lending company. The total amount for lending to any individual shall not exceed 50% of the total available amount.
3. Where funds are lent to a company or business with business relationships with the Company, the total amount for lending to any individual shall not exceed the amount of business transaction between the two parties. Amount of business transaction defines the highest amount of purchase or sales.
4. The total amount for lending to any individual shall not exceed 50% of the Company's net worth for the company or firm that needs short-term financing.

TABLE 2

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Forcelead Technology Corp.	Subsidiary	$ 2,732,950	$ 300,000	$ 300,000	$ 179,880	$ -	5.49	$ 2,732,950	Yes	-	-
		Sync-Tech System Corp	Subsidiary	2,732,950	100,000	100,000	-	-	1.83	2,732,950	Yes	-	-
		mCore Technology Corp.	Subsidiary	2,732,950	100,000	100,000	15,085	-	1.83	2,732,950	Yes	-	-
		Infinno Technology Corp.	Subsidiary	2,732,950	100,000	100,000	8,994	-	1.83	2,732,950	Yes	-	-
		HeFei Sitronix Co., Ltd.	Subsidiary	2,732,950	400,000	400,000	84,933	-	7.32	2,732,950	Yes	-	Yes

Note 1: The description is as follows

1. Lender is numbered as 0.

2. Investee is numbered sequentially from 1.

Note 2: According to the "endorsement guarantee operation management measures" of Sitronix Technology Corp. the total amount of endorsement guarantee shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA. The amount of endorsement guarantee for a single enterprise shall not exceed 25% of the net value of the most recent year’s financial statements audited by CPA However, the amount of endorsement guarantee for a company that directly and indirectly holds more than 50% of the voting shares of the company shall not exceed 50% of the net value of the most recent year’s financial statements audited by CPA..

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (Note 5)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Bond							
	FORCAY 3.375% 04/22/2025, USD bond	-	Financial assets at amortized cost-non-current	-	$ 30,542	-	$ 30,542	Note 2
	Adimmune Corporation First Secured Convertible bond	-	Financial assets at fair value through other comprehensive income-current	-	57,500	-	57,500	Note 1
	Honhai 2.25% 09/23/2021, USD bond	-	Investments in debt instruments at FVTOCI-non-current	-	14,903	-	14,903	Note 1
	EVA Air Third Secured unsecured Convertible bond	-	Financial assets at fair value through other comprehensive income-non-current	-	18,322	-	18,322	Note 1
	APAQ TECHNOLOGY CO., LTD. Second unsecured Convertible bond asset swap	-	Financial assets at fair value through other comprehensive income-non-current	-	16,165	-	16,165	Note 1
	Fund							
	Fubon SSE180 ETF	-	Financial assets at fair value through other comprehensive income-current	832	26,283	-	26,283	Note 1
	Equity							
	YOUNGTEK ELECTRONICS CORPORATION	-	Investments in equity instruments at FVTOCI-current	300	15,780	-	15,780	Note 1
	T3EX GLOBAL HOLDINGS CORP.	-	Investments in equity instruments at FVTOCI-current	604	14,587	-	14,587	Note 1
	TUNG HO STEEL ENTERPRISE CORP.	-	Investments in equity instruments at FVTOCI-current	784	18,032	-	18,032	Note 1
	CTCI CORPORATION	-	Investments in equity instruments at FVTOCI-current	537	20,460	-	20,460	Note 1
	SILICON POWER COMPUTER &COMMUNICATIONS INC.	-	Investments in equity instruments at FVTOCI-current	4,149	106,829	-	106,829	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (Note 5)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	CTBC Financial Holding Co., Ltd.	-	Investments in equity instruments at FVTOCI-current	1,850	$ 41,440	-	$ 41,440	Note 1
	MIRLE AUTOMATION CORPORATION	-	Investments in equity instruments at FVTOCI-current	336	13,353	-	13,353	Note 1
	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E	-	Investments in equity instruments at FVTOCI-current	211	11,689	-	11,689	Note 1
	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Share E (2)	-	Investments in equity instruments at FVTOCI-current	292	15,914	-	15,914	Note 1
	KOWNG LUNG Preferred Share A	-	Investments in equity instruments at FVTOCI-current	345	18,561	-	18,561	Note 1
	TAIWAN FERTILIZER CO., LTD.	-	Investments in equity instruments at FVTOCI-current	369	18,284	-	18,284	Note 1
	WPG Holdings Limited Preferred Share A	-	Investments in equity instruments at FVTOCI-current	400	20,680	-	20,680	Note 1
	Magnachip Semiconductor Corporation	-	Investments in equity instruments at FVTOCI-current	91	31,513	-	31,513	Note 1
	Equity Investment							
	HANS GLOBAL SELECT FUND LIMITED	-	Investments in equity instruments at FVTOCI-non-current	120	358,051	-	358,051	Note 3
	United MD Fund Participating Share Class D	-	Investments in equity instruments at FVTOCI-non-current	3,050	25,891	50	25,891	Note 3
Sitronix Investment Corp	Fund							
	Yuanta/P-shares Taiwan Top 50 ETF	-	Financial assets at fair value through other comprehensive income-current	50	4,848	-	4,848	Note 1
	Equity							
	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	-	Financial assets at fair value through other comprehensive income-current	25	8,275	-	8,275	Note 1
	Equity Investment							
	HANS GLOBAL SELECT FUND LIMITED	-	Investments in equity instruments at FVTOCI-non-current	112	332,689	-	332,689	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019 Number of Shares (Note 5)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Forcelead Technology Corp.	Bond							
	Tong Ming Enterprise Co., Ltd. First unsecured Convertible bond asset swap	-	Financial assets at fair value through other comprehensive income-non-current	-	$ 17,852	-	$ 17,852	Note 1
	Equity							
	WPG Holdings Limited Preferred Share A	-	Investments in equity instruments at FVTOCI-non-current	150	7,755	-	7,755	Note 1

Note 1: It is calculated based on the closing price on December 31, 2019.

Note 2: It is book value.

Note 3: It is calculated based on the net value on December 31, 2019.

Note 4: On December 31, 2019, the above listed securities did not provide guarantees, pledge loans or other restricted users.

Note 5: The number of shares and the number of units are thousand share and thousand unit.

Note 6: The “securities” mentioned in this table refer to the securities, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of IFRS 9 “Financial Instruments”.

(Concluded)

TABLE 4

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Sensortek Technology Corp.	Substantial related party	Purchase	$ 937,342	20	After acceptance net 60 days from monthly closing date	-	-	$ 175,262	13	-

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Foreign Currencies in Thousands)		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of (Loss) Profit
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	% of Ownership	Carrying Amount		
The Company	Sitronix Investment Corp.	Taiwan	Investment	$ 367,270	$ 367,270	32,977	100.00	$ 358,248	$ 3,021	$ 3,021
	Forcelead Technology Corp.	Taiwan	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	561,059	349,731	32,987	84.14	515,829	152,487	117,320
	Sensortek Technology Corp.	Taiwan	R&D, design and sales of sensor integrated circuit products	97,581	99,020	19,056	50.44	920,055	1,322,900	672,986
	mCore Technology Corp.	Taiwan	Providing solutions for consumer display and voice/audio related applications.	131,074	131,074	9,583	90.73	101,587	5,419	4,917
	Sync-Tech System Corp.	Taiwan	Design, Manufacturing and Maintenance of Probe card	99,127	95,000	9,844	50.80	94,718	50,088	26,877
	Infinno Technology Corp.	Taiwan	Comprehensive line of Power supervisor IC design	164,505	164,505	13,290	63.99	40,632	(16,010)	(10,245)
	ezGreen Inc.	Taiwan	Software design and electronic information supply services	30,000	-	3,000	100.00	16,470	(13,530)	(13,530)
	Sitronix Technology (Belize) Corp.	Belize city, Belize	International trade	59,960 (USD 2,000)	59,960 (USD 2,000)	2,000	100.00	107,725	4,029	4,029
	Sitronix Holding International Ltd.	Samoa	Investment	59,960 (USD 2,000)	59,960 (USD 2,000)	2,000	100.00	79,038	1,229	1,229
Sitronix Investment Corp.	Forcelead Technology Corp.	Taiwan	R&D and sales of small-size LCD driver IC and touch-integrated driver IC	10	10	2	-	26	152,487	7
	Sensortek Technology Corp.	Taiwan	R&D, design and sales of sensor integrated circuit products	10	10	2	-	93	1,322,900	68
	Infinno Technology Corp.	Taiwan	Comprehensive line of Power supervisor IC design	10	10	1	-	2	(16,010)	-
Sitronix Technology (Belize) Corp.	Sitronix Technology (Mauritius) Corp.	Public of Mauritius	International trade	USD 2,000	USD 2,000	2,000	100.00	107,723	4,029	4,029

Note: Foreign currency values were converted at the exchange rate of US dollars to NT dollars as of December 31, 2019.

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Foreign Currencies$ in Thousands)	Remittance of Funds: Outward (Foreign Currencies in Thousands)	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
Sitronix Technology (Shenzhen) Co., Ltd.	Computer software and hardware development, sales and after-sales service business and related technical consulting services	$ 11,992 (USD 400)	Note 1	$ 11,992 (USD 400)	$ -	$ -	$ 11,992 (USD 400)	$ 2,391	100	$ 2,391	$ 17,477	$ 10,237
HeFei ezGreen Co., Ltd.	Design, sales and technical services of Supplier management software development	8,610 (CNY 2,000)	Note 4	8,610 (CNY 2,000)	-	-	8,610 (CNY 2,000)	(3,104)	100	(3,104)	5,353	-
HeFei Sitronix Co., Ltd.	R&D, design, sales and technical services of integrated circuits and system hardware and software	107,625 (CNY 25,000)	Note 5	32,288 (CNY 7,500)	64,575 (CNY15,000)	-	96,863 (CNY 22,500)	37,026	90	32,412	133,536	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Foreign Currencies in Thousands)	Investment Amount Authorized by the Investment Commission, MOEA (Foreign Currencies in Thousands)	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
$ 121,509 (US$ 4,053)	$ 256,329 (US$ 8,550)	$3,279,540

Note 1: The Company invested in Sitronix Technology (Shenzhen) Co., Ltd. located in mainland China indirectly through the existing company in the third country. The Company has directly invested in Sitronix Technology Shenzhen Co., Ltd. since August 31, 2019, due to the Group ‘s reorganization.

Note 2: The foreign currencies are converted at the US dollar and CNY dollar exchange rate of December 31, 2019.

Note 3: According to the Investment Commission, MOEA, 60% of the net value of investments in mainland China is set.

Note 4: Direct Investment, as of December 31, 2019, the total investment amount approved by the Investment Commission, MOEA, is CNY10,000 thousand , the investment money of the company has exported CNY2,000 thousand.

Note 5: Direct Investment, as of December 31, 2019, the total investment amount approved by the Investment Commission, MOEA, is CNY45,000 thousand , the investment money of the company has exported CNY22,500 thousand.

TABLE 7

SITRONIX TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Transaction Type	Total operating expenses		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
The Company	Sitronix Technology (Shenzhen) Co., Ltd.	Professional service fees	$ 116,522	8	Calculate according to contract	Calculate according to contract	No related similar transactions to follow	$ -	-	$ -	-

Sitronix Technology Corp.

Chairman Vincent Mao

Sitronix

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