Annual Report

Faraday Technology Corporation
2019 Annual Report
Stock：3035

1. Company Spokesperson and Deputy Spokesperson

Spokesperson

Name: Wen-Ju Tseng

Title: Chief Financial Officer

Phone: (03) 578-7888

Deputy Spokesperson

Name: Evan Ke

Title: Department Head

Phone: (03) 578-7888

Email: ir@faraday-tech.com

2. Address and telephone number of the head office, branch office and factory

Address: No.5, Li-Hsin Rd.III, Hsinchu Science Park, Hsinchu City, Taiwan 300, R.O.C.
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Floor 10-1, No. 30 Zhongzheng South Road, Yongkang District, Tainan City

Phone: (03) 578-7888
(02) 2627-5988
(06) 282-8686

3. Name, address, website and telephone number of stock transfer institution

Name: Horizon Securities Co., Ltd.

Address: 3rd Floor, No. 236, Section 4, Xinyi Road, Taipei City

Website: www.honsec.com.tw

Phone: (02) 2700-8899

4. The names of the CPAs of the most recent annual financial report, name of the firm, address, website address and telephone number.

CPAs: Wan-Ju Chiu and Shao-Pin Kuo

Firm Name: Ernst & Young

Address: 9th Floor, No. 333, Section 1, Keelung Road, Taipei City

Website: www.ey.com.tw

Phone: (02) 2757-8888

5. Name of venue for trading of listed overseas securities and the way to inquire about the information of the overseas securities

Not applicable

6. Company website www.faraday-tech.com

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I. Letter to Shareholders

Dear Shareholders,

The year of 2019 was full of opportunities and challenges for Faraday. The Company's overall revenue has returned to a growth track. Its number of commissioned design cases and solid foundation of the customer base have greatly improved the soundness of operations. The market of special-application chips (ASIC) is flourishing. With the rise of artificial intelligence (AI) and the Internet of Things (IoT), the business opportunities driven by the China-US trade war and the great leap in process technology, together with the limited number of IC design service companies which are set with a relevantly high entry barrier, ASIC companies can therefore benefit from endless business opportunities. Faraday is equipped with a complete technical blueprint and a vertically integrated operation model with its own IP as the core, which allows the Company to maintain its excellent performance not only in the sophisticated process, but also in the advanced one. Faraday positively responds to the rapid changes of this industry as well as competitive situations, resulting in the consolidated revenue amounted to NT$5.31 billion and the basic earnings per share amounted to NT$1.40 throughout the year with the efforts made by all employees.

Looking back on 2019, Faraday's main operational results include the followings:

- The revenue of non-recurring engineering (NRE) has increased to NT$1.37 billion, reaching its record high again. The amount of Faraday's NRE Design Win has achieved a sustainable growth for five consecutive years. In addition to maintaining at a stable number for receiving cases, the Company has further enhanced the design value of NRE to significantly vary the financial worth and the value of the cases so as to maximize the value of each unit of research and development (R&D) resources. We have achieved success in numerous fast-developing fields, such as artificial intelligence (AI), 5G basic network, cloud storage, networking communication (Netcom) and various niche products, many of which are superior applications from Faraday. The development of ASIC is based on IP and it is also the competitive advantage of Faraday. Faraday develops silicon intellectual property (IP) solutions with a platform for each process, and the competitiveness as a result of this vertically integrated business model will be leveled up with the extension of IP, thanks to that, the Company also enjoys a considerable synergy and return on investment (ROI) in R&D resource management while creating values for customers and reducing the risk of mass production.

- The revenue of mass production has picked up, the proportion of niche products has increased, and the layout has shown results. In recent years, Faraday has actively expanded its applications and implemented the layout in various districts. In addition to having accumulated more than 25 applications, we have also actively explored the localized needs of each district to allow the Company being able to diversify its development in terms of customers, applications and processes. In 2019, niche-related applications have accounted for more than 80% of the revenue of mass production. Diversification and customization of the market is the strength of Faraday to be outstanding, and a lot of advantageous applications are attributed to long-term hard work done by Faraday.

- Faraday is one of the few leading ASIC manufacturers with self-developed IP. The complete database covers more than 3,000 IP with a wide range of applications. Faraday has continued to invest resources in developing its own IP for many years, as a result, we do not only possess IP technology but also IP business. This unique industrial position has greatly enhanced our competitiveness in ASIC business. In 2019, the revenue of Faraday's IP reached NT$880 million throughout the year, a record high in 12 years.

Faraday continues to innovate and invest in R&D resources. In 2019, the Company's major technological breakthroughs and achievements include the followings:

- Several factory automation related ASIC projects were successfully cooperated and delivered to support real-time Ethernet, EtherCAT, Profibus and PLC controllers. The project uses Faraday's value-added ASIC and customized IP services to optimize product power consumption, efficiency and life cycle management in order to meet factory automation requirements in industry 4.0 and Industrial Internet of Things (IIoT).
- Faraday's RISC-V ASIC solution successfully assisted the design of a new generation of terminal artificial intelligence and IoT system of single-chip (SoC) in the mass production of UMC's 55ULP process to meet the special performance needs of chips used in battery-powered IoT terminal devices.
- Faraday has successfully completed more than ten ASIC design projects for network communication related applications, mainly using UMC 28HPC or 40LP process. Product applications include access and aggregation switches, server adapters, and residential gateways.
- We were the first to launch 28nm 28G programmable SerDes for Netcom ASIC. The IP has also been successfully verified on UMC's 28nm process, which will help drive the development of 100G high-speed Ethernet and the majority of xPON fiber network infrastructure.
- The number of Faraday's ASIC design cases for the system of single-chip has increased by multiples for three consecutive years. Among others, 28nm and 40nm

are the main processes compared with advanced processes, these two processes have lower barriers to entry, and the corresponding IP layout is complete and low risk, providing customers with more competitive SoC cost advantages.

- A complete basic component IP solution was launched in the UMC’s 22nm process. The 22ULP/ULL basic component IP has been successfully verified by silicon, including multiple voltage standard component library, ECO component library, IO component library, PowerSlash™ low-powered control kit and memory compiler which can greatly reduce the power consumption of chips to fulfill the requirements of the new generation of SoC designs.
- The FIE3240 FPGA development verification platform for the SoCreative!™ IoT SoC platform series was successfully launched. The FIE3240 programmable platform is highly flexible and extensible, and supports SoC designs based on ARM Cortex-M processors to meet the development needs of structurally-complex AIoT chips.

Looking forward, the market's demand for new-generation chips such as AI, high-speed computing, 5G and various niche applications is increasing rapidly. Faraday will continue to work hard on business models, value integration, product applications and customer layouts, and continue to create competitive advantages and long-term values for the Company and its customers through its vertically integrated model based on the platform with self-developed IP. Finally, I would like to thank all shareholders for your long-term support and love for Faraday Technology. All employees of the Company will continue to work hard to create maximum value for shareholders.

Best wishes to you all,

Chairman Chia-Tsung Hung

President Kuo-Yung Wang

II. Company Profile

1. Date of establishment

   June 10, 1993

2. Company history

June 1993	Faraday Technology was established.
March 1995	Completed the development of key components of the National Science Council, "Technology Development Plan for Applied Integrated Circuit Component Database ".
January 1996	Launched SIP business.
September 1996	Completed the 0.35um standard component database.
November 1997	Completed the 0.25um standard component database development.
October 1999	The Company's stock was officially listed on the OTC market.
June 2001	Entered into an alliance with the world's largest SIP supplier ARM for joint marketing.
July 2002	The USB2.0 physical layer IP passed USB-IF certification.
August 2002	The Company's stock was listed on TWSE.
September 2002	Passed ISO9001: 2000 international quality certification.
October 2002	Introduced Serial ATA IP.
December 2002	Signed the SIP Mall Construction Plan with the Ministry of Economic Affairs.
October 2003	Hosted the first USA Faraday Technology's Technology Forum.
June 2004	Launched high-resolution MPEG-4 solution.
September 2004	Launched MPEG4/JPEG multimedia application platform.
September 2004	Launched PCI Express high-speed interface solution.
November 2004	Established "Neihu R&D Center" to expand the R&D lineup of SIP.
December 2005	”Won the "Research and Development Achievement Award" of the Science Park.
August 2006	Signed an ASIC design and distribution partnership agreement with Arrow Electronics, North America's largest semiconductor distributor, to expand the North American market.
September 2006	Officially launched the R&D center in Tainan Science Industrial Park, Taiwan to actively recruit local outstanding scientific and technological talents and strengthen research and development.
October 2006	Participated in the Japan International Flat Panel Display Exhibition for the first time, bringing the complete product line of the flat panel display business to the international market.
November 2006	Launched SerDes IP.
January 2007	Japan OKI, Faraday Technology and UMCJ signed a technical cooperation to provide ASIC design and integrated production services for chips under 90 nm.
February 2007	Faraday Technology won the Frost & Sullivan 2006 Customer Service Innovative Enterprise Award.

March 2007	The cumulative shipment quantity of Faraday Technology's USB IP exceeded 200 million.
November 2007	RA Lab passed the National Accreditation Foundation (TAF) certification.
January 2008	Provided UMC with the 65nm LL process memory compiler.
March 2008	Developed SiP design service capabilities to further enhance integration advantages and competitiveness.
November 2008	Participated in the Fresco Logic Partner Program to provide a complete SuperSpeed USB solution.
December 2008	Launched miniLib™, a 90nm and 65nm micro-intelligence component library
March 2009	Published 0.13um miniIO™ which saves up to 40% of the chip area with a solid ESD performance.
April 2009	Launched 90nm high-speed PCIe 2.0.
May 2009	Led the industry in introducing the USB 3.0 physical layer IP.
July 2009	Launched low power leakage memory to reduce power leakage by 90%.
August 2009	Introduced the 65nm and 55nm miniIO™ which saves 40% of the chip area with a solid ESD performance.
September 2009	The 90 nm SATA 3G solution passed the compatibility standard test.
December 2009	The IP business transfer was transferred to the subsidiary Innopower.
March 2010	Introduced the 90nm USB 3.0 physical layer IP.
April 2010	Passed full software and hardware testing and certification and launched PCIe Gen2 EP Controller IP.
May 2010	Assisted customers in obtaining USB 3.0 host controller certification.
July 2010	Launched 1G Hz ARMv5 instruction-set architecture ultra-high performance processor FA726TE.
October 2010	Introduced USB 3.0 certification achievements: complete layout of USB 3.0 from the host to the device, from the physical layer (PHY) to the controller; Faraday Technology IP received full product certification.
December 2010	Launched 0.11 micron aluminum process IP to help customers improve product performance and cost competitiveness.
January 2011	Launched the 55 Nano High Performance Wireless Communication IQ ADC/DAC IP Solution.
January 2011	Held a USB 3.0 seminar with customers to welcomes the first year of the USB 3.0 market.
October 2011	Assisting customers in the mass production of 65nm consumer electronics products.
February 2012	Signed a cooperation agreement to provide a series of optimized IP SIP to UMC, covering the processes from 0.11 micron to 28 nm.
April 2012	Expanded the authorization of ARM® CortexTM-A9 microprocessor and MaliTM-400 MP GPUs.
December 2012	Completed 40nm high-complexity 340 million SoC design.

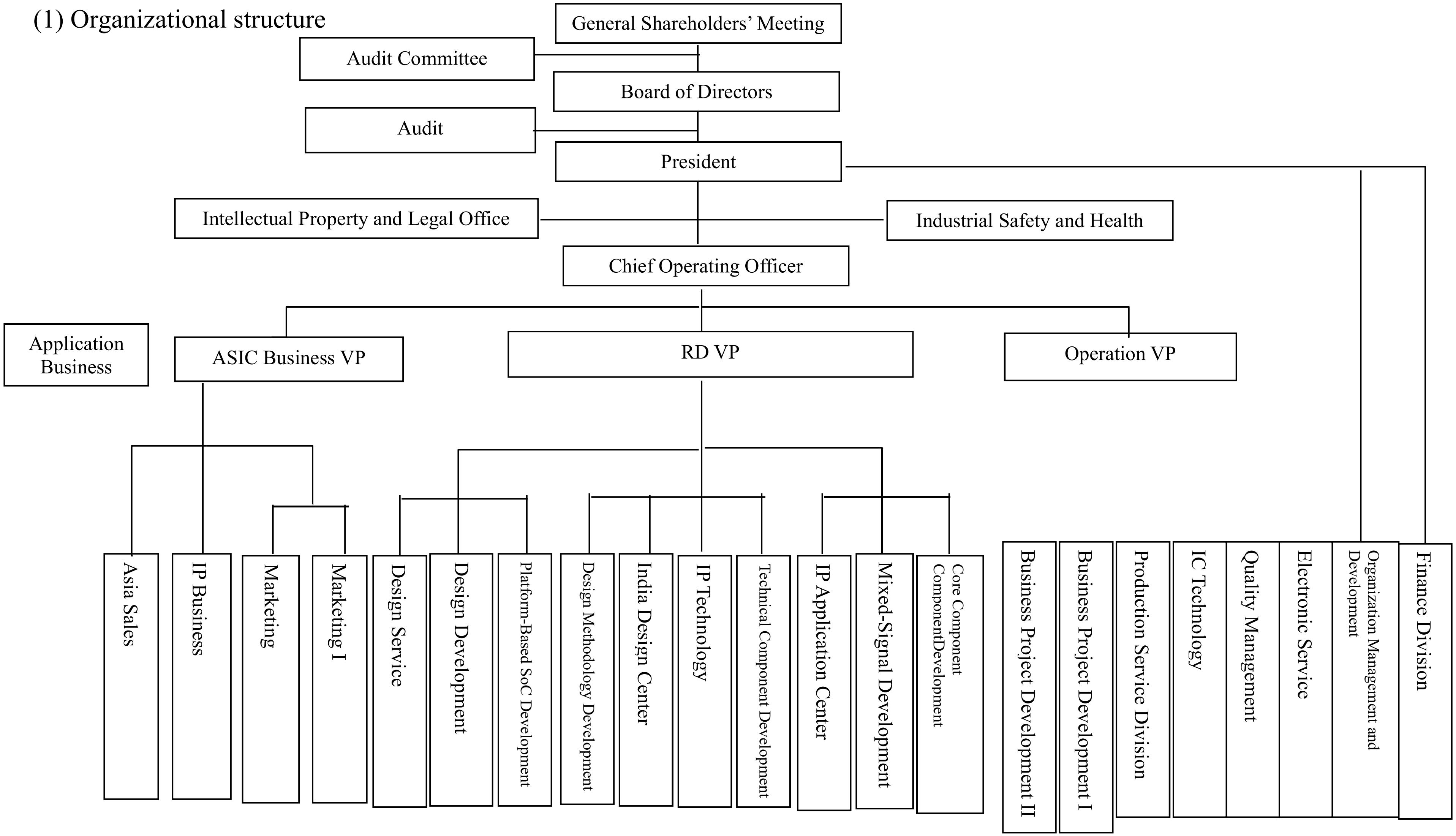
December 2012	The annual revenue exceeded NT$8 billion, a record high.
January 2013	Made another success in high-end communication applications by cooperating with UMC to produce 40 nm 300 million logic gate SoC.
November 2013	In response to popular handheld devices, launched MIPI high-integration solution which passed silicon verification with high integration and low power consumption, including MIPI CSI-2, DSI controllers and D-PHY IPs.
November 2013	Accelerated the development of single-chip for cloud computing systems, and launched dual-core, ARM Cortex A9-based SoC development platform.
December 2013	Following Canada, mid USA and east USA, Faraday Technology continued to expand its business network to the West Coast of USA, working with local agents with ASIC experience and expertise.
April 2014	Launched the 28nm component library and memory compiler to meet the market demand for low power, high density and high speed performance.
September 2014	Expanded the agency of ARM Keil series products, providing complete MCU development tools and technical support.
March 2015	Announced the UMC 55nm eFlash process component library and memory compiler.
March 2015	Launched the system-level MIPI subsystem solution, integrating CSI-2 RX, LVDS, 28nm and 40nm Combo PHY and prototype kits.
January 2016	Introduced the complete UMC 28nm HPC process component library and memory compiler.
March 2016	The Faraday Technology MIPI IP subsystem shipment quantity exceeded 15 million units, covering mobile devices, security surveillance and digital cameras.
August 2016	Won the ISO9001 Plus QMS Competence Management Benchmark on high-quality design service.
October 2016	Introduced PowerSlash™ SIP to be used in UMC's 55nm ultra-low power consumption process to support IoT application development.
	Introduced Uranus™ Ultra Low Power IoT Application SoC
October 2016	Development Platform,
January 2017	Faraday Technology became the world's first ASIC design service
March 2017	provider to receive ISO 26262 certification.
	Introduced the 40eHV and 40LP SRAM compilers with the world's
April 2017	smallest storage cell area.
	Introduced the 28nm V-by-One HS PHY and controller IP to be used in
April 2017	UMC's HPCU process.
	Exhibited the full-process IP solution and IoT SoC development platform at ESC 2017.
May 2017	Launched UrLib+® add-on library to be used in UMC's 40LP process.
	The ASIC automotive IC led the industry in passing the AEC-Q100 and AEC-Q006 reliability verification standards.

June 2017	Launched 28HPC USB 3.1 PHY and 40LP Type-C PHY, and integrated power transfer PD controller.
August 2017	Launches Its New FPGA to ASIC Turnkey Service.
September 2017	Faraday Launches SoReal! 2.0 Virtual Platform to Support Its FPGA Board for Early SoC Software Development.
November 2017	Launched SoReal! 2.0 Virtual Platform to augment hardware integration and accelerate SoC software development.
March 2018	Introduced 28nm M1+ component library to greatly improve the results of SoC digital circuit winding.
April 2018	Faraday Technology's FPGA-to-ASIC solution accelerated customer AI IC technology innovation. Led the ASIC industry to support mainstream projector technology.
August 2018	Faraday launched the industry's smallest USB 2.0 OTG PHY IP. Faraday expanded ASIC services to support Samsung FinFET process to provide product applications for new generations.
December 2018	Faraday launched the multi-protocol video interface IP solution which is cost-effective.
April 2019	Faraday's RISC-V ASIC solution successfully assisted mass production of AIoT SoC.
August 2019	Faraday is the first launching 28nm 28G programmable SerDes specialized for Netcom ASIC.
November 2019	Faraday launched the complete IP solution for basic components in UMC's 22nm process.
December 2019	Faraday launched a new generation of IoT SoC platform to accelerate the early development of ASIC.
March 2020	Faraday launched the Low-DPPM universal solution to meet the highly reliable requirements of ASIC in various fields.
March 2020	Faraday launched the system-level static control services to speed up the schedule of ASIC mass production.
March 2020	Faraday launched the 28G SerDes IP solution in UMC's 28HPC process.

III. Corporate Governance Report

1. Organizational structure

(1) Organizational structure



(2) Businesses of Major Departments

1	【President's Office】 a. General supervision of the operations of the Applied Business Unit, Business and Marketing VP's Office, R&D VP's Office, Market and Investment VP's Office, Operation VP's Office, Asian Business Department, Audit Office, Business Project Development Department Division I, Business Project Development Department Division II, Core Component Development Department, Design Development Department, Design Rule Development Department, Design Service Department, Electronic Service Department, Finance Department, IC Technology Department, India Design Center, Intellectual Rights and Legal Affairs Office, IP Application Center, IP Business Department, Technical Component Development Department, IP Technology Department, Industrial's Health and Safety's Office, Marketing Department Division I, Marketing Department Division II, Mixed Component Development Department, Organization Management and Development Department, Platform-based SoC Development Department, Production Service Department, Quality Operation Department and various R&D project units and all operations of overseas subsidiaries. b. Formulation and implementation of the Company's operating policy planning and operation guidelines. c. Instruction and performance evaluation of the annual quality objectives of each department. d. Adjustment and approval of the authority and responsibility of each department. e. Integrate, coordinate, and support the operational processes, market technology needs and resource planning of Faraday Technology's overseas subsidiaries, branches and agents to enhance international operational efficiency and strengthen regional services.
2	【Application Business】 Establish and implement work policies and related business activities for applied business and marketing.
3	【Business and Marketing VP Office】 Establish and implement ASIC business, IP business, marketing, global customer services and other work polices and support business activities related to external stations.
4	【RD VP Office】 Formulate the Company's R&D policy work guidelines and their implementation.
5	【Operation VP Office】 Formulate the Company's production operation management work guidelines and their implementation.
6	【Asia Sales】 a. ASIC Sales: responsible for ASIC and design service related business in Taiwan, Korea or new development areas; Market data search, analysis and recommendations. b. Technical Consultant: technical coordination and discussion before the project contract is obtained from the customer, so as to ensure the project technology can fill the gap between the customer's needs and internal support.
7	【Audit】 a. Establishment, implementation and review of the internal audit system b. Discussion and review of the internal control system
8	【Business Project Development I】 Responsible for regional project management in Taiwan, the United States, Europe, Korea and Japan. The function of project management will vary according to different

	regions, including the technical coordination and discussion before the cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
9	【Business Project Development II】 Responsible for regional project management in mainland China, including the technical coordination and discussion before the first-stage project cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
10	【Core Technology Development】 Responsible for the design, verification and maintenance, and assisting in the verification of digital IP applications on systems. a. Interface IP b. Microprocessor c. System Component d. Software Development e. Verification Technology
11	【Design Development】 a. ASIC Consultant b. DFT Design Service c. DFT Design Flow d. Logical Design Flow e. Physical Implementation Flow f. Physical Implementation
12	【Design Methodology Development】 Improve the integration and integration of tools, services and methodologies to provide efficient and high-quality design processes. a. Chip Package Co-design b. Chip Power Quality c. Signal Integrity and Co-Design
13	【Design Service】 a. Chips' Physical Layout b. Auto Design
14	【Electronic Service】 Planning the electronic structure to coordinate the resources of the business information system and the operation of departments. a. Computing and Storage Management b. Enterprise Resource System c. Enterprise Resource System d. Integration Application Development e. Network and System Management
15	【Finance Division】 a. Accounting Management b. Financial Management and Strategy Management c. Investor Relations d. Payroll's Office
16	【IC Technology】 a. Assembly Service

	b. Mass Production Technology: Mass Production Development, Production Engineering c. Reliability Assurance d. Test Engineering: Test Assurance, Hardware Engineering, Software Engineering
17	【India Design Center】 Develop advanced specifications of IP or design technology.
18	【Intellectual Property and Legal Office】 a. Intellectual Property b. Legal Affairs a.
19	【IP Application Center】 a. Application Development b. Inter-Operability & Software Testing c. IP Verification Center d. Layout and Manufacturing e. System Application f. System Interface g. Technical Document Center
20	【IP Business】 a. IP Business b. Business Administration c. Customer Engineering
21	【Intellectual Property Development】 Developing and supporting the technical components required for the development of ASIC products, and following the technology market direction and integrating R&D resources to establish the Company's competitiveness. a. Component Design b. Design and Verification Service c. ESD Development d. Testing Technology e. Module Design
22	【IP Technology】 Improving and integrating tools, services and methodologies to provide efficient and high-quality IP design processes and IP management. a. IP’s Next-stage Module b. IP Design Flow c. IP’s First-stage Module d. IP Fundamental Technology e. IP Management Center f. OIP Management Center g. Physical Verification Technology
23	【Industrial Safety and Health】 a. Determine the annual work plan of occupational safety and health and supervise the implementation of relevant departments. b. Plan and supervise the inspection and record of safety and health management of each department. c. Plan and supervise the management and operation of organic solvents and the implementation of operating environment measurement.

	d. Plan and implement education training related to safety and health. e. Plan for employee health check and implement health management. f. Formulate occupational disaster prevention plans and implement occupational disaster investigation, reporting, statistics and reporting operations. g. Provide employees with safety and health consulting services. h. Provide suggestions and information related to safety and health improvement. i. Other business in accordance with safety and health laws shall be performed.
24	【Marketing I】 a. Formulating the Company's medium and long-term strategic directions in product application and technology development, and assisting in their implementation. b. Planning advanced processes and the time and strategy of the essential IPs and key IPs. c. Marketing and promotion: including but not limited to formulating the content of marketing such as product introduction, proposal, etc. d. Assisting in the evaluation of technology licensing, technology outsourcing and strategic alliances e. Development and expansion assessment of new businesses f. Investment evaluation and post-investment management
25	【Marketing II】 a. IP Procurement Team b. Marketing Plans: Marketing Promotion, Corporate Image, Exhibitions and Media Relations
26	【Mixed-Signal Development】 a. Analog Data Converter b. System Algorithm c. Chronological Generator Design d. Power Management Design e. High Speed I/O Analog f. High Speed I/O Digital g. High Voltage Circuit Design h. Serial Display Development i. Serial Link j. Layout Engineering
27	【Organization Management and Development】 Handling administrative co-ordination and centrally supervising human resources, documentation, general affairs and factory operations; controlling departmental expense budgets, and setting departments' work guidelines and implementing them. a. Human Resource Management b. Human Resource Development c. Document Control Center d. General Service e. Education Training Committee f. Administration Administrative Support
28	【Platform-Based SoC Development】 Establishing software environment, hardware integration and verification environment and automation processes required for platform-based SoC development, and

	providing high-quality and high-efficiency platform-based SoC design and development, system application development and software testing, and system architecture analysis and development. a. SoC Architecture Design b. SoC Automation Design c. SoC Function Verification d. SoC Hardware Development e. Premier Platform Design f. Smart Platform Design g. Software Development
29	【Production Service Division】 Responsible for production planning and procurement management. a. Procurement Management: General Procurement, Outsourcing Management b. Production Planning: Production Management, Warehouse Management
30	【Quality Management】 a. Production Quality Management b. Quality Assurance c. Quality System

2. Information of Directors and Key Managers

(1) Information of Directors

March 31, 2020

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality or place of registration</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date of being elected/ assuming office</th><th rowspan="2">Term</th><th rowspan="2">First date of being elected/ assuming office</th><th colspan="2">Shareholding on the date of being elected/ assuming office</th><th colspan="2">Current shareholding</th><th colspan="2">Shareholdings of spouse and minor children</th><th colspan="2">Shareholdings in other’s names</th><th rowspan="2">Major academic/work history</th><th rowspan="2">Other jobs concurrently held at the company and other companies</th><th colspan="3">Other managers, directors or supervisors with a relationship of spouse or second-tier kinship</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Chairman</td><td>ROC</td><td>Chia-Tsung Hung</td><td>Male</td><td>Jun 15, 2018</td><td>3 years</td><td>Jun 9, 2015</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>Chairman, UMC
Bachelor of Accounting, Tamkang University</td><td>Chairman, UMC
Chairman, Hong Cheng Venture Capital
Chairman, Hong Ding Venture Capital
Chairman, UMC New Investment
Director, Triknight CapitalCorporation
Chairman, Hejian Technology (Suzhou) Co., Ltd.
Chairman, UMC Capital Corp.
Director, United Microelectronics (Europe) B.V.
Director, UMC Capital (USA)</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Entity represented by Chairman</td><td>ROC</td><td>UMC</td><td>–</td><td>Jun 15, 2018</td><td>3 years</td><td>May 2, 2002</td><td>34,240,213</td><td>13.77%</td><td>34,240,213</td><td>13.77%</td><td colspan="2">Not applicable</td><td colspan="2">Not applicable</td><td>Not applicable</td><td>Not applicable</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">ROC</td><td>UMC</td><td>–</td><td>Jun 15, 2018</td><td>3 years</td><td>May 2, 2002</td><td>34,240,213</td><td>13.77%</td><td>34,240,213</td><td>13.77%</td><td colspan="2">Not applicable</td><td colspan="2">Not applicable</td><td>Not applicable</td><td>Not applicable</td><td colspan="4">Not applicable</td></tr>
<tr><td>Representative: Ying-Sheng Chen</td><td>Male</td><td>Jun 15, 2018</td><td>3 years</td><td>Jun 15, 2016</td><td>–</td><td>–</td><td>–</td><td>–</td><td>5,000</td><td>0.00%</td><td>–</td><td>–</td><td>Vice President, UMC
Bachelor of Electrical Engineering, Feng Chia University</td><td>Vice President, UMC</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
</table>

Title	Nationality or place of registration	Name	Gender	Date of being elected/ assuming office	Term	First date of being elected/ assuming office	Shareholding on the date of being elected/ assuming office		Current shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	ROC	Kuo-Yung Wang	Male	Jun 15, 2018	3 years	Nov 21, 2011	358,990	0.14%	231,990	0.09%	150,600	0.06%	–	–	VP, UMC Master of Industrial Enginnering, National Tsing Hua University	President, Faraday Technology Chairman, Sheng Bang Investment Chairman, Chi Hong Investment Chairman, United Business Service Corporation Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, Artery Technology Corporation, Ltd. Chairman, Artery Technology Corporation Cayman Director, Sheng Mai Technology Director, Fresco Logic Inc.	–	–	–	–
Director	ROC	Shih-Chin Lin	Male	Jun 15, 2018	3 years	Jun 15, 2016	200,000	0.08%	175,000	0.07%	–	–	–	–	COO, Faraday Technology Master of Electrophysics, National Chiao Tung University	COO, Faraday Technology Chairman, Innopower Technology Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology (Shanghai) Chairman, Faraday Technology Japan Corp. Chairman, Faraday Technology Corp. (USA) Chairman, FaradayTek Solutions India Private Limited Director, Sheng Bang Investment Corporation Director, Chih-Hung Investment Corporation Director, Faraday Technology Microelectronics (Suzhou) Director, United Business Service Corporation (Chongqing) Director, Artery Technology Corporation, Ltd. (Chongqing)	–	–	–	–

Title	Nationality or place of registration	Name	Gender	Date of being elected/ assuming office	Term	First date of being elected/ assuming office	Shareholding on the date of being elected/ assuming office		Current shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	ROC	Wun-Ju Tseng	Female	Jun 15, 2018	3 years	Jun 15, 2018	86,915	0.03%	49,915	0.02%	–	–	–	–	FO, Faraday Technology Bachelor of Corporate Management, National Chengchi University	Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation – Samoa Chairman, Bright Capital Group – B.V.I. Chairman, Faraday Technology – B.V.I. Director, ShiehYung Investment Corporation	–	–	–	–
Independent Director	ROC	Ling-Ling Wu	Female	Jun 15, 2018	3 years	Jun 12, 2012	–	–	–	–	–	–	–	–	Professor, Information Management Department, Management School, National Taiwan University PhD of Psychology, Chicago University	Professor, Information Management Department, Management School, National Taiwan University Independent Director, ITE Tech. Inc. Independent Director, Unimicron	–	–	–	–
Independent Director	ROC	Ning-Hai Jin	Male	Jun 15, 2018	3 years	Jun 9, 2015	–	–	–	–	–	–	–	–	Chairman, Blueocean Optoelectronics Technology Master of Engineering Science, University of Michigan	Chairman, Blueocean Optoelectronics Technology Chairman, Xingge Media Legal Representative Director, Taiwan Life Property Insurance	–	–	–	–
Independent Director	ROC	Bing-Kuan Luo	Male	Jun 15, 2018	3 years	Jun 15, 2018	–	–	–	–	–	–	–	–	Independent Director, Shandong Dadi Chinese Salt Industry Corp Director and Supervisor, GenDing Corporation Consultant, Ministry of Economic Affairs Vice Chairman, Yang Hwa Technology Corporation PhD of Management, Shanghai Fudan University	Chairman, Huashan Internation Consultant Director, Mega International Investment Trust Co., Ltd Director, Mega Venture Capital Co., Ltd. Vice President, MAPECT Vice Chairman, HKINEDA and Chairman on behalf of Taiwan Consultant, Eastern Taiwan Joint Services Center, Executive Yuan	–	–	–	–

(2) Major Shareholders of Institutional Shareholders

Table 1: Major Shareholders of Institutional Shareholders

March 31, 2020

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
UMC (the shareholding record date is the ex-dividend date on April 14, 2019)	JP Morgan Chase as Custodian for UMC Overseas Depository Receipts Account (5.56%), Hsun Jie Investment (3.50%), Bank of Taiwan as Custodian for Hill Chester International Investor International Valued Stock Trust (2.57%), Nan Shan Life Insurance (2.52%), Silicon Integrated Systems Corp. (2.26%), HSBC Bank Trustee Puxin Insurance Co., Ltd. Investment Account (1.73%), Citibank Taiwan as Custodian for Dimension Emerging Markets Evaluation Fund (1.48%), Yan Yuan Investment (1.44%), , Bank of Taiwan as Custodian for Hill Chester International Investor International Valued Stock Group Trust (1.27%), JP Morgan Chase as Custodian for Advanced Starlight Advanced Integrated Composite International Stock Index (1.27%)
Unimicron Technology Corporation	Not applicable

Table 2: If the Major Shareholders in Table 1 are Institutions, Their Major Shareholders

March 31, 2020

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
Hsun Jie Investment	Hsieh Yong Investment (63.48%), UMC (36.49%)
SiS Technology	UMC (20.20%), Hsun Jie Investment (1.54%), Hsing-Sen Liu (1.43%), JP Morgan Chase as Custodian for Advanced Starlight Advanced Integrated Composite International Stock Index (1.13%), JP Morgan Chase as Custodian for Vanguard Emerging Market Index Fund (0.75%), Liang Hsun Investment Co., Ltd. (0.63%), Chih-Wei Wu (0.59%), De-Chang Wu (0.54%), Hua-Jung Lien (0.54%), Wen-Hsi Chen (0.52%)
Yan Yuan Investment	Siliconware Precision Investment (32.21%), UMC (30.87%), KYEC Group (16.77%), Innopower Electronics (13.42%), Sigurd Corporation (4.03%), Bo Hua Investment Co., Ltd. (2.68%)
Nan Shan Life Insurance	First Bank as Custodian for Ren Cheng Investment Holdings (60.01%), Ren Cheng Investment Holdings (29.54%), Tu-Ying Tsung (2.90%), Ruentex Co., Ltd. (0.30%), Ruentex Textile (0.27%), Ruentex Development Co., Ltd. (0.23%), Ruentex Industries Ltd. (0.21%), Taishin Bank Entrusted Nan Shan Life Securities Trust (0.21%), Yuen Xin Investment Co., Ltd. (0.16%), Ruentex Leasing (0.13%)

(3) Information of Directors and Supervisors

March 31, 2020

Condition / Name	Have more than five years of work experience and the following professional qualifications?			Meeting the independence requirement (notes)												Number of independent director positions concurrently at other public companies
	Lecturer or above of a public or private college or university in business, legal, finance, accounting or a department required for the company's business	A judge, prosecutor, lawyer or accountant, or a professional or technical personnel having passed other national examinations with certifications required for the company's business	Experience in business, legal, finance or accounting or work experience required for the company's business	1	2	3	4	5	6	7	8	9	10	11	12	
Chia-Tsung Hung			✓			✓			✓			✓	✓	✓		–
Kuo-Yung Wang			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	–
Ying-Sheng Shen			✓		✓	✓			✓			✓	✓	✓		–
Shih-Chin Lin			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	–
Wun-Ru Tseng			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	2
Ling-Ling Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Ning-Hai Jin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Bing-Kuan Luo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–

Note: If the director or supervisor meets any of the following condition during the two years prior to the election and during the term of office, please place a "✓" in the space below the condition.

(1) Not an employee of the company or an affiliate.

(2) Not a director or supervisor of the company or its affiliate (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(3) Not holding more than one percent of the company's total issued shares or a top ten natural person shareholder in his/her own name, nor in the name of the spouse or minor children or another person.

(4) Not a manager listed in section (1) nor a spouse, a relative of the second-tier kinship, nor a direct relative of the thrid-tier kinship of a person listed in sections (2) and (3).

(5) Not a director, supervisor or employee of the company which directly holds more than five percent of the total issued shares of the company, a top-five institutional shareholder of the company nor an appointed representative in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Law (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(6) Not a director, supervisor or employee of other companies that more than half of the seats of the Board or voting shares of the company are controlled by the same person (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(7) Not a director, supervisor or employee of other companies or institutions who are the same person or spouse as the chairman, general manager or positioned as equivalent thereon of the company (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(8) Not a director, supervisor, manager or shareholders holding more than 5% of the shares (except for an independent director of a particular company or institution that hold more than 20% but not more than 50% of the total number of shares issued by the company, and the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(9) Not a professional or the owner, partner, director, supervisor, manager or the spouse of the above of a sole proprietorship,

partnership, company or institution which provides audit or business with a cumulative remuneration amount not exceeding NT$500,000 in the last two years, legal, financial, accounting and relevant services for the company or its affiliates. However, members of the remuneration committee, the public tender review committee and the special committee for merger and acquisition are excluded, where the remuneration committee, the public tender review committee and the special committee for merger and acquisition exercise the functions in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act for the performance of duties.

(10) Not a spouse or a relative of the second-tier kinship of any other directors.

(11) There are no circumstances in Article 30 of the Company Law.

(12) There are no circumstances in Article 27 of the Company Law where the government, a legal person or its representative is elected for the position.

(4) Information of the President, VPs, SAVPs and Managers of Departments and Branches

April 17, 2018
Unit: share

Title	Nationality	Name	Gender	Date of being elected/ assuming office	Shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Managers obtaining employee stock option certificates	Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
Strategy Officer	ROC	Chia-Tsung Hung	Male	March 2, 2018	–	–	–	–	–	–	Chairman, UMC Bachelor of Accounting, Tamkang University	Chairman, UMC Chairman, UMC Capital Chairman, Hongding Venture Capital Director, TriKnight Capital Corporation Chairman, Hejian Technology (Suzhou) Co., Ltd. Chairman, UMC Capital Corp. Director, United Mircroelectronics (Europe) B.V. Director, UMC Capital (USA)	–	–	–	–	–
President	ROC	Kuo-Yung Wang	Male	Jul 28, 2015	231,990	0.09%	150,600	0.06%	–	–	Master of Industrial Enginnering, National Tsing Hua University SAVP, UMC	President, Faraday Technology Chairman, Sheng Bang Investment Chairman, Chi Hong Investment Chairman, Yuan Ching Technology (Chongqing) Chairman, Yateli Technology (Chongqing) Chairman, Artery Technology Company Chairman, Artery Technology Corporation - Cayman Director, Sheng Mai Technology Director, Fresco Logic Inc.	–	–	–	–	–

Title	Nationality	Name	Gender	Date of being elected/ assuming office	Shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Managers obtaining employee stock option certificates	Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
COO	ROC	Shih-Chin Lin	Male	Jul 30, 2015	175,000	0.07%	–	–	–	–	Master of Electrophysics, National Chiao Tung University Senior Director, UMC	COO, Faraday Technology Chairman, Innopower Technology Chairman, Innopower Technology (Chongqing) Chairman, Faraday Technology (Shanghai) Chairman, Faraday Technology Japan Corp. Chairman, Faraday Technology Corp. (USA) Chairman, FaradayTek Solutions India Private Limited Director, Sheng Bang Investment Director, Chi Hong Investment Director, Faraday Technology Microelectronics (Suzhou) Director, Yuan Ching Technology (Chongqing) Director, Yateli Technology (Chongqing)	–	–	–	–	–
Senior VP	ROC	Chien-Ming Chen (note)	Male	Jun 17, 2019	21,300	0.01%	–	–	–	–	PhD of Information Engineering, National Tsing Hua University	Chairman, Faraday Technology Microelectronics (Suzhou) Director, Sheng Bang Investment Director, Chi Hong Investment Director, Innopower Technology Director, Faraday Technology (Shanghai) Director, Yuan Ching Technology (Chongqing) Director, Yateli Technology (Chongqing) Director, Artery Technology Company Director, Artery Technology Corporation - Cayman	–	–	–	–	–

Title	Nationality	Name	Gender	Date of being elected/ assuming office	Shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Managers obtaining employee stock option certificates	Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
VP	ROC	Jhy-Heng Wang	Male	Jun 8, 2018	105,298	0.04%	3,195	0.00%	–	–	PhD of Electrical Engineering, National Taiwan University SAVP, Faraday Technology	None	–	–	–	–	–
VP	ROC	Kun-Cheng Wu (note)	Male	Jun 17, 2019	94,076	0.04%	34,203	0.01%	–	–	Master of Information Engineering, National Chiao Tung University SAVP, Faraday Technology	Chairman, Faraday Vietnam Company Limited	–	–	–	–	–
SAVP	ROC	Wen-Ju Tseng	Female	Sep 1, 2017	49,915	0.02%	–	–	–	–	Bachelor of Business Management, National Chengchi University SAVP and CFO, Faraday Technology	Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation－Samoa Chairman, Bright Capital Group Limited-Samoa Chairman, Faraday Technology-B.V.I. Director, Hsieh Yong Investment	–	–	–	–	–
SAVP	ROC	Chi-Shun Lui	Male	Sep 1, 2017	140,000	0.06%	–	–	–	–	Master of Electrical Engineering, National Taiwan University SAVP, Faraday Technology	None	–	–	–	–	–
SAVP	ROC	Yi-Chi Wang (note)	Female	Sep 1, 2017	94,000	0.04%	–	–	–	–	Master of Chemistry, Cheng Kung University SAVP, Faraday Technology	None	–	–	–	–	–
SAVP	ROC	Po-Hao Mao (note)	Male	Oct 2, 2017	68,200	0.03%	–	–	–	–	Master of Technology Management, National Chiao Tung University SAVP, Faraday Technology	None	–	–	–	–	–

Title	Nationality	Name	Gender	Date of being elected/ assuming office	Shareholding		Shareholdings of spouse and minor children		Shareholdings in other's names		Major academic/work history	Other jobs concurrently held at the company and other companies	Other managers, directors or supervisors with a relationship of spouse or second-tier kinship			Managers obtaining employee stock option certificates	Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
SAVP	ROC	Rong-Xing Lai	Male	Jun 8, 2018	96,000	0.04%	–	–	–	–	Master of Electrical Engineering, National Cheng Kung University Marketing Manager, Silicon Integrated Systems SAVP, Faraday Technology	Chairman, Grain Media Chairman, GrainTech Electronics Limited Director, Artery Technology Corporation – Cayman Director, Yateli Technology (Chongqing) Director, Artery Technology Company Director, Sanject Co., Ltd.	–	–	–	–	–
SAVP	ROC	Chen-Sing Jian (note)	Male	Jun 17, 2019	–	–	–	–	–	–	Master of Electrical Engineering, National Taiwan University SAVP, Faraday Technology	None	–	–	–	–	–
SAVP	ROC	Guo-Hua Li (note)	Male	Dec 3, 2019	–	–	–	–	–	–	Master of Physics, Tamkang University SAVP, Faraday Technology	None	–	–	–	–	–

Note: Senior VP Chien-Ming Chen was promoted from VP to Senior VP as at June 17, 2019. VP Kun-Cheng Wu was promoted from SAVP to VP as at June 17, 2019. SAVP Yi-Chi Wang was dismissed as at April 13, 2020. SAVP Po-Hao Mao was dismissed as at February 7, 2020. SAVP Chen-Sing Jian took office as at June 17, 2019. SAVP Guo-Hua Li took office as at December 3, 2019.

(5) Remuneration of Directors, Strategy Officer, Presidents, COO, VPs and SAVPs

General Remuneration of Directors and Independent Directors

December 31, 2019
Unit: NT$'000/1000 shares

Title	Name	Director remuneration								Ratio of the total of A, B, C and D to net profit after tax		Remuneration for concurrent positions								Ratio of the total of A, B, C, D, E, F and G to net profit after tax Pension (B)(note 2)		Remuneration received from reinvested enterprises or parent companies other than subsidiaries Remuneration of Directors (C) (note 1)
		Remuneration (A)		Pension (B)(note 2)		Remuneration of Directors (C) (note 1)		Business execution fee (D)				Title		Pension (F)		Remuneration (A)						
																The Company		All the companies in the financial statements				
		The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All the companies in the financial statements	
Chairman	Chia-Tsung Hung	2,400	2,400	—	—	216	216	340	340	0.88%	0.88%	24,507	24,507	—	—	2,496	—	2,496	—	8.91%	8.91%	none.
Entity represented by Chairman	UMC																					
Director	UMC Representative: Ying-Sheng Shen																					
Director	Kuo-Yung Wang																					
Director	Shih-Chin Lin																					
Director	Wen-Ju Tseng																					
Independent Director	Ling-Ling Wu	2,520	2,520	—	—	—	—	330	330	0.85%	0.85%	—	—	—	—	—	—	—	—	0.85%	0.85%	none.
Independent Director	Ning-Hai Jing																					
Independent Director	Ning-Hai Jin																					

1. Relevance of the Independent Directors' remuneration policy, system, standards and structure, their responsibilities, risks, and time spent on remuneration: none.

2. Other than the above, the Directors of the Company who provided services to any of the companies in the financial statements (such as working as consultants who are not employees) in the most recent year: none.

Remuneration Tiers

Remuneration tiers of the Company's Directors (NT$)	Director Name Total of A, B, C and D The Company	Director Name Total of A, B, C and D All the companies in the financial statements I	Director Name Total of A, B, C, D, E, F and G The Company	Director Name Total of A, B, C, D, E, F and G All the companies in the financial statements J
Lower than 2,000,000	UMC, Chia-Tsung Hung, Ying-Sheng Shen , Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Ling-Ling Wu, Ning-Hai Jin, Bing-Kwan Luo	UMC, Chia-Tsung Hung, Ying-Sheng Shen , Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Ling-Ling Wu, Ning-Hai Jin, Bing-Kwan Luo	UMC, Ying-Sheng Shen, Ling-Ling Wu, Ning-Hai Jin, Bing-Kwan Luo	UMC, Ying-Sheng Shen, Ling-Ling Wu, Ning-Hai Jin, Bing-Kwan Luo
1,000,000 (inclusive) ～2,000,000 (not inclusive)	—	—	Chia-Tsung Hung	Chia-Tsung Hung
2,000,000 (inclusive) ～3,500,000 (not inclusive)	—	—	—	—
3,500,000 (inclusive) ～5,000,000 (not inclusive)	—	—	—	—
5,000,000 (inclusive) ～10,000,000 (not inclusive)	—	—	Shih-Chin Lin, Wen-Ju Tseng	Shih-Chin Lin, Wen-Ju Tseng
10,000,000 (inclusive) ～15,000,000 (not inclusive)	—	—	Kuo-Yung Wang	Kuo-Yung Wang
15,000,000 (inclusive) ～30,000,000 (not inclusive)	—	—	—	—
30,000,000 (inclusive) ～50,000,000 (not inclusive)	—	—	—	—
50,000,000 (inclusive) ～100,000,000 (not inclusive)	—	—	—	—
More than 100,000,000 (not inclusive)	—	—	—	—
Total	9 people	9 people	9 people	9 people

Note 1: The amount of Directors' remuneration passed by the Board of Directors in 2020.
Note 2: The appropriation for retirement pension expenses.

Remuneration of Strategy Officer, President, COO, VPs and SAVPs

December 31, 2019
Unit: NT$'000/1000 shares

Title	Name	Remuneration (A)		Pension (B)(note 3)		Bonus and special fees (C)		Employee remuneration (D)(note 2)				Ratio of the total of A, B, C and D to net profit after tax（%）		Any remuneration from reinvested enterprises or parent companies other than subsidiaries
		The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company	All the companies in the financial statements	The Company		All the companies in the financial statements		The Company	All the companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Strategy Officer	Chia-Tsung Hung	31,081	31,081	–	–	31,668	31,668	5,214	–	5,214	–	20.21%	20.21%	–
President	Kuo-Yung Wang													
COO	Shih-Chin Lin													
Senior VP	Chien-Ming Chen													
VP	Jhy-Heng Wang													
VP	Kun-Cheng Wu (note 1)													
SAVP	Wen-Ju Tseng													
SAVP	Chi-Shun Lui													
SAVP	Yi-Chi Wang (note 1)													
SAVP	Po-Hao Mao (note 1)													
SAVP	Rong-Xin Lai													
SAVP	Chen-Sing Jian (note 1)													
SAVP	Guo-Hua Li (note 1)													

Remuneration Tiers

Remuneration tiers of the Company's President and VPs (NT$)	Names of President and VPs	
	The Company	All companies in the financial statements
Lower than 1,000,000	Yi-Chi Wang, Guo-Hua Li	Yi-Chi Wang, Guo-Hua Li
2,000,000 (inclusive) ～2,000,000 (not inclusive)	Chia-Tsung Hung	Chia-Tsung Hung
2,000,000 (inclusive) ～3,500,000 (not inclusive)	–	–
3,500,000 (inclusive) ～5,000,000 (not inclusive)	Chen-Sing Jian	Chen-Sing Jian
5,000,000 (inclusive) ～10,000,000 (not inclusive)	Shih-Chin Lin, Chien-Ming Chen, Jhy-Heng Wang, Wen-Ju Tseng, Kun-Cheng Wu, Chi-Shun Lui, Po-Hao Mao, Rong-Xing Lai	Shih-Chin Lin, Chien-Ming Chen, Jhy-Heng Wang, Wen-Ju Tseng, Kun-Cheng Wu, Chi-Shun Lui, Po-Hao Mao, Rong-Xing Lai
10,000,000 (inclusive) ～15,000,000 (not inclusive)	Kuo-Yung Wang	Kuo-Yung Wang
15,000,000 (inclusive) ～30,000,000 (not inclusive)	–	–
30,000,000 (inclusive) ～50,000,000 (not inclusive)	–	–
50,000,000 (inclusive) ～100,000,000 (not inclusive)	–	–
More than 100,000,000 (not inclusive)	–	–
Total	13 people	13 people

Note 1: Senior VP Chien-Ming Chen was promoted from VP to Senior VP as at June 17, 2019. VP Kun-Cheng Wu was promoted from SAVP to VP as at June 17, 2019. SAVP Yi-Chi Wang was dismissed as at April 13, 2020. SAVP Po-Hao Mao was dismissed as at February 7, 2020. SAVP Chen-Sing Jian took office as at June 17, 2019. SAVP Guo-Hua Li took office as at December 3, 2019.

Note 2: The amount of Directors' remuneration passed by the Board of Directors in 2020.

Note 3: The appropriation for retirement pension expenses.

Names of Managers Receiving Employee Remuneration and Amounts Distributed

December 31, 2019

	Title	Name	Share quantity	Cash amount	Total	Percentage of net income after tax （％）
Manager	Strategy Officer	Chia-Tsung Hung	–	5,214	5,214	1.55%
	President	Kuo-Yung Wang				
	COO	Shih-Chin Lin				
	Senior VP	Chien-Ming Chen				
	VP	Jhy-Heng Wang				
	VP	Kun-Cheng Wu				
	SAVP and CFO	Wen-Ju Tseng				
	SAVP	Chi-Shun Lui				
	SAVP	Yi-Chi Wang				
	SAVP	Po-Hao Mao				
	SAVP	Rong-Xing Lai				
	SAVP	Chen-Sing Jian				
	SAVP	Guo-Hua Li				

Note: The amount of Directors' remuneration passed by the Board of Directors in 2020.

(6) Comparison and analysis of the total remuneration paid to the Company's directors, the Strategy Officer, the President, VPs and SAVPs by the Company and all the companies in the financial statements in the last two years as a percentage of the net profit after tax, and the policy, standards, combinations and remuneration establishment procedures, and their correlation with the business performance and future risks

Analysis of Remuneration of Directors, Strategy Officer, President, VP and SAVP in the Last Two Years

	2019 total remuneration/ net profit after tax		2018 total remuneration/ net profit after tax	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Director	9.76%	9.76%	11.72%	11.72%
Strategy Officer, President, VP and SAVP	20.21%	20.21%	23.73%	23.73%

Note: The remunerations of the Directors, Strategy Officer, President, VPs and SAVPs of the Company are paid in accordance with the Company's Articles of Association and Company Rules.

Remuneration Payment Policy

The Company's director remuneration policy is handled in accordance with the Articles of Association. The President, VP and SAVP remuneration payment policy is compared with industry peers and regularly reviewed, and the performance of individuals and teams is reflected.

3. Corporate Governance Implementation Status

(1) Operation of the Board of Directors: The Board of Directors held 4 (A) meetings in the most recent year. The attendance of the Directors is as follows:

Title	Name	Actual attendance (B)	Commissioned attendance	Actual attendance ratio(%) 【B/A】 (note 2)	Remarks
Chairman (note 1)	Chia-Tsung Hung	2	2	50	
Director	Kuo-Yung Wang	4	0	100	
Director (note 1)	Ying-Sheng Shen	3	1	75	
Director	Shih-Chin Lin	4	0	100	
Director	Wen-Ju Tseng	4	0	100	
Independent Director	Ling-Ling Wu	3	1	75	
Independent Director	Ning-Hai Jin	4	0	100	
Independent Director	Bing-Kwan Luo	4	0	100	
Other matters to be listed: None. 1. In case the operation of the board of directors has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the opinions of all independent directors and the company's disposal of the opinions of independent directors:					

(1) Items listed in Article 14.3 of the Securities Exchange Act:

Board meeting date	Session	Motion content and resolution result	Independent Directors' opinions	Company disposal of Independent Directors' opinions	Objections or reserved opinions of Independent Directors with written records or statements
February 26, 2019	4th session of 10th term	Review of the independence of CPAs, and appointment of CPAs to audit the 2019 financial statements of the Company and profit-making business income tax. Resolution result: passed.	None	None	None
		Proposal to amend the Company's "Procedures for Acquisition or Disposal of Assets". Resolution result: passed.	None	None	None
		Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2019. Resolution result: passed.	None	None	None
April 23, 2019	5th session of 10th term	Proposal to distribute cash dividends with statutory surplus reserve. Resolution result: passed.	None	None	None
		Proposal to establish subsidiaries in Vietnam due to operational needs. Resolution result: passed.	None	None	None
July 23, 2019	6th session of 10th term	Formulation of the company's "Standard Operating Procedures for handling the Directors' Requests" Resolution result: passed.	None	None	None
October 29 , 2019	7th session of 10th term	Formulation of the company's internal control system of "Management of Audit Committee's Operations" Resolution result: passed.	None	None	None
		Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2019.	None	None	None

		Resolution result: passed.			
February 13, 2020	8th session of 10th term	The Corporate Sustainability Committee reports on the effectiveness of the implementation of corporate social responsibility in 2019, and plans to promote the plan through the future. Resolution result: passed.	None	None	None
		Formulation of a code of faithful operation and submission for approval. Resolution result: passed.	None	None	None
		Formulation of a code of corporate governance practices, and appointment of the CFO as the head of corporate governance. Resolution result: passed.	None	None	None
		Review of the independence of accountants and appointment of accountants to handle the company's 2020 financial statements and the verification of visas for profit business income tax. Resolution result: passed.	None	None	None
		Change of the company's visa accountants in response to the internal organization adjustment of Ernst & Young Resolution result: passed.	None	None	None
		Appointment of the company's new audit supervisor. Resolution result: passed.	None	None	None
		Review of the remuneration distribution of the directors and employees for 2019. Resolution result: passed.	None	None	None
		Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2020. Resolution result: passed.	None	None	None
March 25, 2020	9th session	Co-option of a seat for the 10th director.	None	None	None

	of 10th term	Resolution result: passed.			

(2) In addition to the matters above, other motions with independent directors' objection that have been recorded or a written statement is in place: None.

2. On the implementation of directors' avoidance of interests, state the names of the directors, the contents of the motions, the reasons for the avoidance of interests and the participation in the voting:

Director name	Motion content	Reason for avoidance	Participation in voting	Remarks
Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Update of the estimated amount of remuneration of the Company's managers for 2018.	The Directors have a stake in the motion	Not voting	4th session of 10th term
Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2019.	The Directors have a stake in the motion.	Not voting	4th session of 10th term
Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2019.	The Directors have a stake in the motion.	Not voting	7th session of 10th term
Wen-Ju Tseng	Formulation of a code of corporate governance practices, and appointment of the CFO as the head of corporate governance.	The Director has a stake in the motion.	Not voting	8th session of 10th term
Chia-Tsung Hung Ying-Sheng Shen	Review of the remuneration distribution of the directors and employees for 2019.	The Director has a stake in the motion.	Not voting	8th session of 10th term
Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Review of the cash compensation and estimated remuneration of employees issued by the company's managers for 2020.	The Director has a stake in the motion.	Not voting	8th session of 10th term

3. Information about the assessment cycle and period, the scope of assessment, the method and content of assessment of the self-evaluation of the board of Directors:

Assessment Cycle	Assessment Period	Scope of Assessment	Method of Assessment	Content of Assessment
None	None	None	None	None

4. Assessment of the objectives and performance of the strengthened functions of the Board of Directors in the current and most recent years: The Company is committed to strengthening the functions of the Board of Directors. Independent Directors have been elected and an Audit Committee set up. In 2019, the attendance of Directors was good and they fully participated in the operation of the Board of Directors. The motions with Directors' conflict of interests were all resolved by the Audit Committee or the Remuneration Committee before the resolutions of the Board of Directors to strengthen the functions of the Board of Directors.

Note 1: Representative of UMC.
Note 2:The actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors during their terms of office and their actual number of attendance.

(2) The operation of the Audit Committee or the Supervisor's participation in the operation of the board meeting:

A. Operation of the Audit Committee:

In the most recent Audit Committee meeting 4(A), the independent directors' attendance is as follows:

Title	Name	Actual attendance (B)	Commissioned attendance	Actual attendance ratio(%) 【B/A】 (note)	Remarks
Independent Director	Ling-Ling Wu	3	1	75	
Independent Director	Ning-Hai Jin	4	0	100	
Independent Director	Bing-Kwan Luo	4	0	100	

Other matters to be listed: None.

1. In case the operation of the Audit Committee has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the Audit Committee's review results and the company's disposal of the opinions of the Audit Committee:

(1) Items listed in Article 14.5 of the Securities Exchange Act:

Board meeting date	Session	Motion content and resolution result	Opinions of Audit Committee members	The Company's disposal of member opinions	Objections or reserved opinions of members with written records or statements
February 26, 2019	4th session of 10th term	Approval of the Company's 2018 annual audited business accounts, business report, financial statements (including consolidated and individual statements), together with the draft audit report by Ernst & Young. Resolution result: passed.	None	None	None
		Review of the independence of CPAs, and appointment of CPAs to audit the 2019 financial statements of the Company and profit-making business income tax. Resolution result: passed.	None	None	None
		Proposal to amend the Company's "Procedures for Acquisition or Disposal of	None	None	None

		Assets". Resolution result: passed.			
April 23, 2019	5th session of 10th term	Proposal to distribute cash dividends with statutory surplus reserve. Resolution result: passed.	None	None	None
		Proposal to establish subsidiaries in Vietnam due to operational needs. Resolution result: passed.	None	None	None
July 23, 2019	6th session of 10th term	The company's report of business position for the second quarter of 2019. Resolution result: passed.	None	None	None
October 29, 2019	7th session of 10th term	The company's report of business position for the third quarter of 2019. Resolution result: passed.	None	None	None
		Formulation of the company's internal control system of "Management of Audit Committee's Operations" Resolution result: passed.	None	None	None
		The company's audit plan for 2020. Resolution result: passed.	None	None	None
February 13, 2020	8th session of 10th term	Approval of the Company's 2019 annual audited business accounts, business report, financial statements (including consolidated and individual statements), together with the draft audit report by Ernst & Young. Resolution result: passed.	None	None	None
		Review of the independence of accountants and appointment of accountants to handle the company's 2020 financial statements and the verification of visas for profit business income tax. Resolution result: passed.	None	None	None
		Change of the company's visa accountants in response to the internal organization adjustment of Ernst & Young Resolution result: passed.	None	None	None
		Appointment of the company's new audit supervisor. Resolution result: passed.	None	None	None

(2) In addition to the matters above, other motions that were not approved by the Audit Committee but approved by more than two-thirds of all Directors: None.

2. On the implementation of Independent Directors' avoidance of interests, state the names of

the Independent Directors, the contents of the motions, the reasons for the avoidance of interests and the participation in the voting: None. 3. Communication between Independent Directors and the internal audit supervisor and the CPAs (including matters relating to the Company's finances, business conditions, the communication methods and results): The internal audit supervisor regularly provides the Audit Committee with audit reports, and reports to the Audit Committee on an annual basis on future auditing plans. If the Audit Committee members need information on the Company's financial status, the Company will arrange relevant responsible units and personnel to attend the meeting and give a briefing. The CPAs will report to the Audit Committee at least once a year on the audit results and the key audit items in the future, and the Audit Committee members may also contact the CPAs at any time by phone or email. The communication is in good condition. 4. Resolution results of the Audit Committee on the major motions of the board meetings and the Company's disposal of the opinions of the Audit Committee: The Audit Committee agreed on all the major motions of the board meetings, and the Company will report on the implementation of the motions at the next meeting.

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors during the Supervisors' terms of office and their actual number of attendance.

B. The Supervisor's participation in the operation of board meetings: The Company has set up an Audit Committee to replace Supervisor role

(3) The implementation of corporate governance and its differences with the code of practice for listed and OTC companies

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
1. Does the company formulate and disclose the Code of Practice for Corporate Governance based on the "Code of Practice for Corporate Governance of Listed and OTC Companies"?	V		The Group has established a relevant corporate governance code with reference to the "Code of Practice for Corporate Governance of Listed and OTC Companies" which has been published in the company's website and a "Corporate Governance" section has been set up for investors to inquire and download relevant corporate governance regulations.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
2. Company shareholding structure and shareholders' equity (1) Has the company stipulated internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	V		The Group has established Rules of Procedure for Shareholders' Meetings, and shareholder suggestions or disputes are handled by Investor Relations and stock affairs personnel who will give feedback to the Board of Directors in due course.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
(2) Does the company have a list of the actual controlling	V		Faraday Technology declares the shareholdings of Directors and	In compliance with the Code of

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
shareholders of the company, and the ultimate controllers of major shareholders?			Managers on a monthly basis; the major shareholder of the related companies of the Group is Faraday Technology.	Practice for Corporate Governance of Listed and OTC Companies.
(3) Has the company established and implemented risk control and firewall mechanism with the affiliates?	V		The personnel, assets and financial management rights and responsibilities are clearly divided with affiliates, and risk assessment is firmly implemented and an appropriate firewall is established. The “Measures for Monitoring Subsidiaries” and the “Regulations on the Reciprocal Financial Business of Affiliates” have been established and firmly implemented.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
(4) Has the company established internal regulations to prohibit insiders from using unpublished information to buy and sell securities?	V		The Company has “Internal Transaction Prevention Measures”, "Major Internal Information Processing Procedures" and "Code of Ethics for Directors, Supervisors and Managers" in place which have been published in the company’s website and a “Corporate Governance” section has been set up for investors to inquire and download relevant corporate governance regulations.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
3. Composition and responsibilities of the board of directors (1) Has the board of directors formulated a diversified approach based on the member composition and implemented it?	V		The Faraday Technology’s Board of Directors has set up three seats of Independent Directors, including professionals from the industry and academia with diverse disciplines, expertise and skills to effectively strengthen the Board's operations.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
(2) Has the company voluntarily set up other functional committees in accordance with the law in addition to the remuneration committee and the audit committee?		V	Faraday Technology has not yet set up other functional committees other than the remuneration committee and the audit committee to assist the Board in performing its duties.	An assessment will be made according to laws and regulations and company needs.

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
(3) Has the company stipulated the performance appraisal measures for the board of directors and the appraisal method, and conducted performance appraisal regularly every year, and reported the results of the performance evaluation to the board of directors and applied them to individual directors 'remuneration and nomination renewal?		V	The Group has not yet established performance appraisal measures for the Board of Directors, but the board members are committed to improving the operational efficiency of the board and creating long-term interests of the Company.	The Board of Director performance appraisal measures and the appraisal method will be set up according to company needs.
(4) Does the company regularly assess the independence of the CPAs?	V		The Company has engaged Ernst & Young to handle the external audit. After the internal evaluation and obtaining the independence statement issued by the accounting firm, it was found that the CPAs do not act as either the Director or the Supervisor of the Company, are not shareholders of the Company, and are not receive remuneration from the Company. The CPAs meet the independence requirement. The independence of the CPAs is assessed by the Audit Committee and the Board of Directors each year.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
4. Has the listed company been equipped with the qualified and appropriate number of corporate governance personnel, and designated corporate governance directors, responsible for corporate governance related matters (including but not limited to providing information for directors to carry out their duties, assisting directors to comply with laws, handling matters related to the board meeting and shareholders' meeting in accordance with the law, taking minutes of the board meeting and shareholders' meeting, etc.)?	V		The company passed the resolution of the board of directors on February 13, 2020 to approve the CFO as the head of corporate governance. He/she has to possess more than three years of experience in the public offering of corporate finance and stock affairs, and conducts professional training in accordance with laws and regulations. The main responsibilities of the corporate governance supervisor are to supervise the stock affairs unit of the Finance Department to handle the convening of the board of directors and shareholders' meetings and the arrangement of the proceedings, produce the minutes and information disclosure, provide the directors with necessary information for the execution of the business, assist the directors to comply with the laws and regulations, assist the directors to take office and continue to study related business.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
5. Has the company established communication channels with interested parties (including but not limited to the shareholders, employees, customers and suppliers), and set up a stakeholder section on the company's website, and responds appropriately to interested parties on important corporate social responsibility issues of their concern?	V		The Company has set up a stakeholder section on the Company's website to enable shareholders and interested parties to fully understand the Company's financial status and implementation of corporate governance. For correspondent banks, customers and manufacturers, the Company upholds an honest and open policy to provide the financial and business information they need. Relevant information is also posted on the company website for communication.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
6. Has the company appointed a professional stock agency to handle the affairs of the shareholders' meeting?	V		Faraday Technology appointed Horizon Securities Co., Ltd. as the stock agency to handle shareholder affairs.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
7. Information disclosure (1) Has the company set up a	 V		The Company has established a website (www.faraday-tech.com/tw/)	 In compliance

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
website to disclose financial status and corporate governance information?			to disclose and regularly update the Company's financial status, corporate governance and important information about the Group. Other relevant information that should be announced may also be found on the MOPs.	with the Code of Practice for Corporate Governance of Listed and OTC Companies.
(2)Has the company adopted other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, and posting on the company's website the institutional investor briefing process)?	V		The company has set up an English website and placed important information such as English financial reports on the official website with dedicated personnel responsible for the collection and disclosure of company information. The website information is available in simplified Chinese, Japanese and Korean as well. The company has set up a room for spokesperson system and investor relationship, and disclosed relevant documents and audio-visual files of the corporate briefing session on the company's website.	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
(3) Has the company announced and declared the annual financial report within two months after the end of the fiscal year, and announced and declared the first, second, and third quarter of financial reports and the monthly operating position within the prescribed time limit?	V		The company has published and declared the annual financial report, the first, second, and third quarter of financial reports and the monthly operating position as early as possible within the prescribed time limit. Please disclose the declaration content of the information observatory (website: https://mops.twse.com.tw/)	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.
8. Does the company have other important information (including but not limited to employee benefits, employee care, investor relations, supplier relationships, stakeholder rights, director and supervisor training, implementation of the risk management policy and risk measurement standards, the implementation of the customer policy, the company's purchase of liability insurance for directors and supervisors, etc.) to assist in the understanding of	V		1. Employees' rights and interests: The Company attaches great importance to the rights and interests of employees, has always been following the principle of humanized management to give employees full respect and care, and regularly conducts employee satisfaction surveys and education training surveys. We continue to plan employee welfare measures and set up an employee welfare committee to protect employees' rights and interests, enhance employee benefits, and provide employees with a better working environment and space for	In compliance with the Code of Practice for Corporate Governance of Listed and OTC Companies.

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
the corporate governance implementation status?			development. 2. Employee care: The Company regularly holds employee symposiums, and the management also regularly dines with employees to understand their daily lives and needs. There are dedicated instructors who take care of new colleagues and help them become familiar with the work and the environment. In addition, the Company regularly holds activities and invites employees to participate, and organizes employee family days every year to care for employees and their dependents. 3. Investor Relations: The Company has a spokesperson, a deputy spokesperson and a stock agency "Stock Agency Department of Horizon Securities Co., Ltd." to answer company related questions from shareholders and investors. 4.Training for Directors: The Company offers courses in relevant regulations and professional knowledge courses from time to time. All directors and supervisors completed at least 6 hours of training courses per year in accordance with laws and regulations for 2019. 5. Implementation of risk management policies: The risk management policies have been approved by the board of directors on April 23, 2020, and the policies, organizational structure and related contents are disclosed on the company's official website. 6. Directors and supervisors' responsibility insurance: The company regularly insures the directors and supervisors' responsibility insurance every year. In the recent period, the board of directors has reported important contents such as the insured amount,	

Item Evaluated	Status			Difference from the Code of Practice for Corporate Governance of Listed and OTC Companies and reasons.
	Y	N	Summary	
			coverage and insurance rate on February 13, 2020 and the information has been announced at the public information observatory..	

9. Please indicate the improvement of the corporate governance evaluation results in the recent annual release by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and propose priority enhancements and measures for those which have not yet improved: Faraday Technology continues to improve corporate governance according to the results of corporate governance evaluation. The improvement includes disclosure of specific issues in the annual report and strengthening of the Company's external website information (such as strengthening the disclosure of information and documents in the stakeholder section, increasing the relevant information of the shareholders' meeting, etc.), and the Company plans to add corporate governance related regulations.

(4) Composition, responsibilities and operation of the Compensation and Remuneration Committee:

The Compensation and Remuneration Committee is designed to assist the Board of Directors in the implementation and evaluation of the Company's overall compensation and remuneration policies, as well as the remuneration of directors and managers.

Information of Compensation and Remuneration Committee Members

Position	Condition / Name	Have more than five years of work experience and the following professional qualifications			Qualify independence condition (Note)										Number of memberships in the Compensation and Remuneration Committee of other publicly listed company	Remarks
		Lecturer or above in public and private colleges and universities with business, legal, finance, accounting or business-related majors	Judges, prosecutors, lawyers, accountants or other national examinations required for business with the Company, and certified specialized professional and technical personnel	Work experience required for business, legal, finance, accounting or corporate businesses	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ling-Ling, Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Ning-Hai, Jin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	
Independent Director	Bing-Kwan Luo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	

Note: For each member that meets the following conditions during the two years prior to the election and during the term of office, please tick "✓" accordingly in the space below each condition code.

(1) Not an employer of the Company of its affiliates.

(2) Not the director or supervisor of the Company or its affiliates. However, if the Company or its parent company directly and indirectly holds more than 50% of the independent directors of the Company with voting rights, this is not the case.

(3) Not the person and his or her spouse, under aged children or holders of natural persons holding more than one percent of the Company's total issued shares or holding the top ten shares in the name of others.

(4) Not a manager listed in section (1) nor a spouse, a relative of the second-tier kinship, nor a direct relative of the thrid-tier kinship of a person listed in sections (2) and (3).

(5) Not a director, supervisor or employee of the company which directly holds more than five percent of the total issued shares of the company, a top-five institutional shareholder of the company nor an appointed representative in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Law (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(6) Not a director, supervisor or employee of other companies that more than half of the seats of the Board or voting shares of the company are controlled by the same person (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(7) Not a director, supervisor or employee of other companies or institutions who are the same person or spouse as the chairman, general manager or positioned as equivalent thereon of the company (except for an independent director of the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(8) Not a director, supervisor, manager or shareholders holding more than 5% of the shares (except for an independent director of a particular company or institution that hold more than 20% but not more than 50% of the total number of shares issued

by the company, and the company or its parent company, subsidiary or subsidiary of the same parent company, and the position is established under this Act or local laws).

(9) Not a professional or the owner, partner, director, supervisor, manager or the spouse of the above of a sole proprietorship, partnership, company or institution which provides audit or business with a cumulative remuneration amount not exceeding NT$500,000 in the last two years, legal, financial, accounting and relevant services for the company or its affiliates. However, members of the remuneration committee, the public tender review committee and the special committee for merger and acquisition are excluded, where the remuneration committee, the public tender review committee and the special committee for merger and acquisition exercise the functions in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act for the performance of duties.

(10) None of the situations stated in Article 30 of the Company Law.

Operation of the Compensation and Remuneration Committee

1. There are a total of 3 members in the Company's Compensation and Remuneration Committee.
2. Current term of committee members: June 19, 2018 to June 14, 2021. The Compensation and Remuneration Committee held a total of 2 meetings this year, attendance of which are as follows:

Position	Name	Actual attendance	Entrusted attendance	Rate of actual attendance (%)	Remarks
Convener	Ling-ling, Wu	2	0	100	
Member	Ning-hai, Jin	2	0	100	
Member	Bing-kwan Luo	2	0	100	
Other important items: (i) If the Board of Directors does not adopt or amend according to the recommendations of the Compensation and Remuneration Committee, it shall state the date, period of the Board of Directors meeting, content of proposal, results of resolutions of the Board of Directors and the Company's processing of the opinion of the Compensation and Remuneration Committee (such as if the compensation and remuneration adopted by the Board of Directors is higher than the compensation and remuneration suggested by the Compensation and Remuneration Committee, the differences and reasons of which shall be stated): None. (ii) Regarding resolutions of the Compensation and Remuneration Committee, if members hold objections or reservations with record or written statements, the date, period of Compensation and Remuneration Committee meeting, content of proposal, opinions of all members and processing of members' opinions shall be stated: None.					

Note: Rate of actual attendance (%) is calculated based on the number of Compensation and Remuneration Committee meetings held during the member's term of office and the number of his or her actual attendance.

(5) Fulfilling of corporate social responsibilities as well as differences and causes of corporate social responsibility of codes of practice for listed companies

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
1. Does the Company conduct risk assessments on environmental,	V		The Company has formulated risk management policies after	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
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?			assessing the risks of environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality. The risk management policy was approved by the board of directors as at April 23, 2020, and the policy, organizational structure and related content were disclosed on the Company's official website.	
2. Does the Company set up a special (part-time) unit for promoting corporate social responsibility, which is authorized by the Board of Directors for high-level management to be in charge of, and report any found situation to the Board of Directors?	V		The Company has set up a corporate sustainability committee that promotes corporate social responsibility, and the board of directors authorizes senior management to deal with it. Each year, the chairman will conduct a personal review by the chairman, review the progress of the annual target, and the corporate sustainability committee will report to the board every year to promote effectiveness with plans.	No major differences found.
3. Environmental issues (i) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	V		The Group is committed to sustainable management and development. It has established a 'Green Environmental Policy and Operating Procedures' to improve efficiency of the use of resources to effectively control and reduce waste and reduce environmental impact.	No major differences found.
(ii) Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environmental?	V		The Company is a professional IC design company and committed to sustainable management and development, the products of which are outsourced for manufacture, with no large amount of waste and pollutants. We established the "Waste Processing and Scrap Operation Procedure". The generated IC scraps, etc., are all handled by Class A business waste removal agency. Besides, we are committed to improving the	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
			efficiency of the use of various resources, such as recycled paper packaging materials, repeated use of crystal boat boxes and other measures in order to effectively control and reduce waste, and reduce environmental impact.	
(iii) Does the Company assess the potential risks and opportunities of climate change for companies at present and in the future, and take measures to address climate-related issues?	V		For global climate change, in addition to the globalization of the supply chain, the company also introduces continuous operation management procedures to continuously review and improve and ensure that when disasters or shocks occur, it can fully maintain and restore the highest operating goals, and strive for and protect customers and interests The best rights of people. With regard to the interruption of the supply of raw materials, Faraday has also established a sustainable supply chain assessment system, which incorporates carbon and water risk management and material supply emergency response plans into the assessment project. Assisting customers to produce environmentally friendly green products has always been Faraday’s philosophy. Faraday is committed to promoting the development of low-power technologies, as well as the production processes and packaging materials using green and non-hazardous materials, to continuously strengthen customer service and competition advantage.	No major differences found.
(iv) Does the Company calculate greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or waste			The greenhouse gas emissions, water consumption and total weight of waste have been disclosed on the Company's official website and public information observatory. In order to reduce the impact of the Company's operating activities on the environment, the Group	

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
management?			continues to commit to implementing energy-saving and carbon-reduction strategies, conducting greenhouse gas inventories, and has promoted improvements in lighting equipment, electronic form documents, carton reduction, energy saving, and setting air-conditioning temperature , Reduce water consumption or waste reduction, etc.	
3. Social issues (i) Does the Company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		The Company has always paid attention to human rights, and respected international relevant human rights regulations. In order to abide by the laws and regulations of each operating base in the world, in accordance with internationally recognized human rights standards and relevant laws and regulations on labor and gender equality in work, we formulate relevant human rights protection, labor policies and related Implement measures, and actively implement the "Code of Conduct for Responsible Business Alliances" and treat all the formal employees and contract personnel with respect.	No major differences found.
(ii) Does the Company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in the employees' compensation?	V		The Company provides differentiated performance-oriented and competitive remuneration and welfare systems. In addition to the three sections of savings, there are also employee cash bonuses, incentive bonuses, and patent bonuses. In order to truly understand the work performance of colleagues, we have established a complete performance appraisal management procedure as a basis for personnel promotion, salary adjustment and bonus payment. It also provides a vacation system that is superior to the Labor Standards Law, and enjoys	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
			special leave on the day of employment, which is superior to the statutory number of days.	
(iii) Has the company provided a safe and healthy working environment and organized regular safety and health education to employees?	V		The Company provides a safe and healthy working environment to improve the quality of products and services and the enthusiasm of employees. And abide by local labor safety and health related regulations and international standards of social responsibility, in order to prevent occupational disasters in the work of workers, and thus reduce the risk factors in the working environment. The Company regularly organizes health lectures and conducts health checks to ensure the safety and health of colleagues. At the same time, it has professional factory nurses and factory-resident physicians to conduct regular consultations, analyze and analyze the results of health checks and work-related factors, and conduct hierarchical tracking management for specific ethnic groups. Prevent potential health risks.	No major differences found.
(iv) Does the company establish an effective career development training program for its employees?	V		The Company has spared no effort in cultivating talents, and providing perfect assistance in the aspect of work and daily life. At the same time, based on individual professionals, there are long-term cultivation plans on education and training, on-the-job training, and future career development. For example: newcomer training, professional training, language training, supervisor training, general training, domestic and foreign education, future career development, etc.	No major differences found.
(v) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the Company followed relevant	V		The Company follows the ISO spirit, and its products comply with the relevant regulations and international standards (Ex: JEDEC, EU RoHS / WEEE, etc.)	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with corporate social responsibility codes of listed companies
	Yes	No	Summary	
regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?			to protect the health and safety of customers. At the same time, it also focuses on trademark maintenance and corporate image to maintain customer privacy The Legal Department cooperates with relevant consultations, complies with regulations and adopts necessary measures. At the same time, the Company formulates customer complaint handling procedures and customer return handling procedures to ensure the protection of customer rights.	
(vi) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		The Company formulates supplier investigation / assessment / assessment procedures and outsourcing factory management measures for suppliers based on ISO standards. And the implementation status is included in the regular audit project.	No major differences found.
5. Does the Company refer to the internationally-recognized report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	V		The Company's 2019 Corporate Social Responsibility Report for the year 108 will be prepared in accordance with the core options of the GRI Standards and AA1000 Type II. It is expected to be announced at the Public Information Observatory after the SGS verification in August 2020 and declared on the Company's official website.	No major differences found.
6. If the Company has its own corporate social responsibility code based on the 'Code of Practice for Corporate Social Responsibility of Listed Companies', please describe the difference between its operation and the established code: The company has written the governance of the implementation of corporate social responsibility in the ISO document. The Corporate Sustainability Committee defines the management policy based on the corporate social responsibility code of practice and sets goals, and conducts annual review of the implementation results .				
7. Other important information to facilitate understanding of the operation of corporate social responsibility: (i) A corporate social responsibility zone is set up on the Company's official website to provide stakeholders with immediate access to important information. (ii) In response to the occurrence of social disasters, donations from colleagues are occasionally initiated to help those in need. (iii) The Company has established a charity fundraising mechanism, which conducts regular				

fundraising activities and donates to charity units. (iv) Budgets are made each year to donate to the charity and charitable groups. (v) In response to environmental protection and to cherish water resources, the office building is equipped with a rainwater recovery device for reuse as of water via landscape sprinklers. In addition, the Company also actively promotes energy conservation measures.

(6) Fulfilling of integrity management and adopted measures of the Company: The internal management measures and implementation of the Group are in compliance with the Company Law, the Securities Exchange Law and the local related legal regulations of the various affiliates. The management and the directors all fulfill the duty of care as the manager, and communicate with the accountant in good time to implement the integrity manager principle.

Fulfillment of Integrity Operation as well as Differences and Causes for Integrity Management Code with Listed Companies

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
1. Establishing integrity management policies and programs (i) Has the Company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, and the board and senior management's commitment to actively implement the management policy?	V		The Company has formulated the "Integrity Management Code" and "Integrity Management Operation Procedures and Conduct Guidelines", which have been approved by the board of directors at 109.02.13, and has an integrity management team under the responsibility of senior management to actively implement the integrity management policy commitment. Related policies and programs are also disclosed on the company's official website. In order to improve the company's integrity management, the audit unit will include the compliance with the "Integrity Management Code" into the scope of the inspection, and regularly report to the board of directors about the lack of improvement and handling.	No major differences found.
(ii) Has the Company established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and formulates a plan to prevent	V		The Company's "Integrity Management Code" and "Integrity Management Operational Procedures and Conduct Guidelines" address bribery and bribery, provide illegal political contributions,	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
dishonesty, and at least covers Article 7, paragraph 2 of "Code of Integrity Operation for Listed Companies" of the precautionary measures?			improper charitable donations or sponsorships, provide or accept unreasonable gifts, hospitality or other improper Benefits, infringements on business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, unfair competition, products and services that directly or indirectly damage consumers or other interested parties when they are researched, purchased, manufactured, provided or sold The company's rights, health and safety and other behaviors have specific prevention programs and regularly analyze and evaluate business activities with high risks of dishonesty in the business scope, and regularly review the appropriateness and effectiveness of the prevention programs. A risk assessment of corruption-related matters is conducted in all operating activities of the operating base. Through the semi-annual self-examination of the business management unit and the self-assessment of laws and regulations, effective control and implementation are achieved, and the audit unit independently audits to ensure the overall mechanism operation, joint management and prevention of dishonesty.	
(iii) Does the Company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		The Company regularly conducts education, training and promotion to employees, incorporates integrity management into performance evaluation and human resources policies, and establishes a clear and effective disciplinary system. At the same time, there is also a "Law for Conducting Dishonest Acts", related reporting systems and	No major differences found

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
			reporting channels for dishonest acts, and setting up special reporting lines and e-mail boxes.	
2. Implementation of integrity operation (i) Does the Company assess the integrity record of the person to whom it is filed and specify the terms of integrity in its contract with the transacting partner?	V		Before the Company establishes business relations with others, it first evaluates the legality, integrity management policies of agents, suppliers, customers or other business contacts, and whether there has been any record of dishonest behaviors to ensure that its business operations are fair , transparent and will not require, offer or accept bribes. When cooperating with customers and suppliers, abide by the Company's integrity principle into the cooperation principle or contract of both parties, and jointly observe. If it is found that the business transaction or cooperation object has dishonest behavior, it immediately stops its business transaction and lists it as the object of rejection, so as to implement the Company's integrity management policy.	No major differences found.
(ii) Does the Company set up a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?	V		The Company has set up an "integrity management group" under the corporate sustainability committee under the board of directors, which is responsible for promoting corporate governance matters such as the company's integrity management, anti-corruption, anti-bribery, and compliance with laws and regulations. Circumstances, assist the board of directors and management to check and evaluate whether the preventive measures established by the implementation of integrity management are operating effectively, and evaluate and comply with relevant business processes, make reports, and regularly review and amend.	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
(iii) Has the Company established a policy to prevent conflicts of interest, provide a proper presentation pipeline, and implement which accordingly?	V		The Company has a policy of avoiding conflicts of interest in the "Integrity Management Operating Procedures and Conduct Guidelines". The directors, managers and other stakeholders of the company who are present or attending the board of directors are interested in the bills listed on the board of directors and their legal representatives or their legal representatives. At the current board of directors, they will explain the important content of their interests, such as harm to the company When the interests are in doubt, they shall not join in the discussion and voting, and shall avoid it during the discussion and voting, and shall not act for other directors to exercise their voting rights. The directors are also self-disciplined and have to support each other. During the execution of company business, the personnel of the company find that they have conflicts with their own interests or the legal persons they represent, or they may obtain illegitimate benefits for themselves, spouses, parents, children or their interested parties. At the same time, the related matters are reported directly to the supervisor and the company's dedicated unit, and the direct supervisor provides appropriate guidance. The personnel of the company shall not use company resources for business activities outside the company, and shall not affect their work performance by participating in business activities outside the company.	No major differences found.
(iv) Has the company established an effective accounting system and internal control system for the implementation of integrity	V		The company has a rigorous accounting and internal control system, including paying attention to related party transactions,	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
management, and the internal audit unit formulates the relevant audit plan based on the assessment results of the risk of dishonesty, and checks the compliance with the plan to prevent dishonesty, or entrust an accountant to perform the audit?			establishing a bargaining system and a layered authorization review system, etc. If an employee found that there were violations of the integrity code during execution of business items, they would take responsibility to report accordingly.	
(v) Does the Company hold regular internal and external education training of integrity management?	V		The Company actively implements the promotion and implementation of the integrity management policy. In addition to requiring all colleagues to sign the code of integrity, it conducts regular training and promotion of integrity management and the code of integrity when newcomers are hired every year, so that all colleagues can fully understand the Company's determination for integrity operation, policies, prevention programs, and the consequences of breach of integrity.	In the future, the Company will assess if it should be updated or not.
3. Operation of the Company's reporting system (i) Has the Company established a specific reporting and reward system, a convenient reporting pipeline, and assigns appropriate responsible personnel to the respondents?	V		The Company has a specific reporting system in the "Integrity Management Code" and "Integrity Management Operating Procedures and Conduct Guidelines", actively preventing dishonesty, encouraging internal and external personnel to report dishonesty or misconduct, and assigning an audit office to accept the report. The unit in charge shall accept reports from colleagues concerning acts of dishonesty. The Stakeholders Area of the official website provides effective communication methods for employees, shareholders, stakeholders and outsiders. If the whistleblowing situation involves a director or senior executive, report the report to an independent director or	No major differences found.

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
			supervisor, and establish a whistleblower protection system. The identity and the content of the report shall be kept confidential or appropriate protective measures shall be taken in accordance with the law, and they shall be committed to protecting the informant from improper disposal due to the report.	
(ii) Has the Company set the investigation standard operating procedures, the follow-up measures to be taken after the investigation is completed and related confidentiality mechanisms for accepting the report?	V		The Company clearly stipulates the Company's reporting channels, investigation and processing procedures and whistleblowers' protection measures in the "Law for Conducting Dishonest Conduct" to ensure the legal rights of relevant personnel. The company handles whistle-blowing cases in a confidential manner and handles them promptly, impartially and objectively, and keeps the identity and content of whistle-blowers confidential or takes appropriate protective measures according to law. If the investigation proves that there is a violation of the relevant laws and regulations or the Company’s integrity management policies and regulations, the reporter immediately requests the accused person to stop the relevant behavior and deal with it appropriately. The management measures shall be dismissed or dismissed, and if necessary, through legal procedures to request damages to protect the company's reputation and rights. Constructive reporting is the act of safeguarding the rights and interests of colleagues, companies and shareholders. The company will give appropriate rewards according to the situation after verification.	No major differences found.
(iii) Does the Company take measures	V		As described above, the Company	No major

Item for Evaluation	Operation			Differences and reasons of which with integrity management codes of listed companies
	Yes	No	Summary	
to protect the reporting parties from improper disposal due to the report?			takes appropriate protective measures for the informant, including but not limited to: unless the informant agrees, the name of the informant or any fact sufficient to identify the person shall not be recorded in the public document , Address, telephone, e-mail, etc. must be kept strictly confidential; when verifying the facts with the whistleblower, it should be done without revealing their identity. If the whistleblower is an employee, the company guarantees that the employee will not be subject to improper disposal due to the whistleblowing.	differences found.
4. Enhancing information disclosure (i) Does the Company disclose information regarding its set Code of Integrity Management and effectiveness of which on its website and public information observatories?	V		The Company has uploaded the "Integrity Management Code", "Integrity Management Operation Procedures and Conduct Guidelines" and "Inspection Act on Dishonest Conduct" to the company's website to expose information about integrity management.	No major differences found.
5. If the Company has its own code of integrity management based on the 'Code of Practice for Integrity Management of Listed Companies', please describe the difference between its operation and the code: None.				
6. Other important information beneficial to the understanding of the operation of the Company's integrity management (such as Company's review and amendment of its established code of conduct, etc.): Please refer to the company's website for relevant information regarding the Company's "Integrity Management Code", "Integrity Management Operation Procedures and Conduct Guidelines" and "Incorruption Conduct Inspection Act"				

(VII) For if the Company has established corporate governance code and relevant regulations, please inquire as follows: The Group has established relevant regulations on corporate governance in compliance with the 'Corporate Governance Code for Listed Companies', the Company website is set with a 'Corporate Governance' section for investors to inquire and download.

(VIII) Other important information sufficient for increasing understanding of corporate governance operations: None.

(IX) Execution of internal control system

1. Internal Control Statement

Faraday Technology Corporation
Internal Control System Statement

Date: February 13, 2020

The internal control system of the Company in the year 2019 is based on the results of self-assessment, and is hereby declared as follows:

I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company. The Company has established such a system. The purpose of which is to achieve the objectives of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations, and provide reasonable guarantee of which.

II. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; furthermore, due to changes in the environment and conditions, the effectiveness of the internal control system is due to change. However, the Company's internal control system has a self-monitoring mechanism. Once a problem has been identified, the Company would take immediate corrective action against accordingly.

III. The Company decides whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the 'Guidelines for the Establishment of Internal Control Systems for Public Listed Companies' (hereinafter referred to as the 'Processing Guidelines'). The internal control system judgment project adopted by the 'Processing Guidelines' is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervised operations. Each component also includes several sub-items. Please refer to the 'Processing Guidelines' for details of the above items.

IV. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.

V. Based on the results of the previous assessment, the Company believes that the Company's internal control system (including supervision and management of subsidiaries) on December 31, 2019, which includes the understanding of the effectiveness of the operation, the achievement of the efficiency objectives, and reporting are reliable, timely, transparent and in compliance with the relevant codes and legal regulations and relevant laws and regulations, and that the design and execution of which are effective, and can reasonably ensure the achievement of the aforementioned objectives.

VI. This statement will act as the main content of the Company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as that of Articles 20, 32, 171 and 174 of the Securities Exchange Law.

VII. This statement was approved by the Board of Directors of the Company on February 13, 2020. Among the 8 directors, 0 held opposing opinions and agreed to the contents of this statement.

Faraday Technology Corporation

Chairman: CHIA-TSUNG, HUNG

President: KUO-YUNG WANG

2.If an accountant is entrusted to review the internal control system, the accounting review report shall be disclosed: Not applicable.

(X) In the most recent year and until publication of the annual report, the Company and its internal personnel were punished according to law, and the Company has punished its internal personnel that violated the internal control system for penalties, major defects, and relevant improvement: None.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and until publication of the annual report

Date of important resolutions	Content of important resolutions
Board of Directors on February 26th, 2019	1. Passed the 2018 Business Report and Financial Statement. 2. Reviewed the independence of accountants and appoint accountants to handle the audit of various financial statements and income tax for profitable businesses in 2019. 3. Passed amendments of 'Processing Procedure for the Obtaining and Disposal of Assets'. 4. Passed the date and agenda of 2019 Annual General Meeting.
Board of Directors on April 23rd, 2019	1. Passed plan for distribution of surplus. 2. Passed the statutory surplus reserve to distribute cash dividends. 3. Passed the update of the 2019 agenda of the Company. 4. Passed the establishment of subisidiaries in Vietnam.
Shareholders' Meeting on June 13th, 2019	1. Passed Business Report, Financial Statement and plan for distribution of surplus. 2. Passed the statutory surplus reserve to distribute cash dividends. 3. Passed the amendment to 'Processing Procedure for the Obtaining and Disposal of Assets'.
Board of Directors on July 23rd, 2019	Passed the formulation of "Standardized Operating Procedures for Processing Directors' Requests".
Board of Directors on October 29th, 2019	1. Passed the formulation of the internal control system of "Management of Audit Committee Operations". 2. Passed 2019 audit proposal.
Board of Directors on February 13th, 2020	1. Passed 2019 Business Report and Financial Statement. 2. Passed the formulation of "Code of Integrity Operation". 3. Passed the formulation of "Corporate Governance Code of Practice" and appointment

	of the chief financial officer as the head of corporate governance. 4. Reviewed the independence of accountants and appointment of accountants to handle various financial statements in 2020 and visa verification of the income tax of profit-making enterprises. 5. Reviewed the internal organization adjustments and changes of the accounting firm for the company's visa accountants. 6. Passed the decision of the appointment of the company's new audit supervisor. 7. Passed plan for the surplus distribution. 8. Passed the date and agenda of 2020 Shareholders' Regular Meetings.
Board of Directors on March 25th, 2020	1. Passed the co-option of a seat to the tenth director. 2. Passed the lifting of restrictions on new directors in relation to Article 209 of the Company Law. 3. Passed the update of the agenda of the company's 2020 Shareholders' Regular Meeting.

Execution of important resolutions of 2019 Shareholders' Meetings:

After passing the plan for distribution of surplus at the Shareholders' Meeting, the Company has set July 14th, 2019 as the ex-dividend date, and have issued all cash dividends on August 6th, 2019.

(XII) If the director or supervisor has had different opinions on the passing of important resolutions at the Board of Directors, with supporting records or written statements of opposing opinions in the most recent year and until publication of the annual report: None.

(XIII) The conclusion of resignation of personnel related to Financial Statements (including Chairman, President, Accounting Supervisor, Treasurer, Internal Audit Supervisor, Corporate Governance Supervisor, Research and Development Supervisor, etc.) in the most recent year and until publication of the annual report:

Position	Name	Date of Office	Date of Dismissal	Reason(s) for Resignation or Dismissal
Internal Audit Supervisor	Bi-Huei Chiou	March 17, 2018	December 30, 2019	Position adjustment

4. Accountant fee information:

(i) If the non-audit public fee paid by the authorized accountant, the authorized accountant's affiliated office and its related enterprise is more than one quarter of the audit public fee, the audited and non-audited public fee amount and the non-audit service content shall be disclosed:

Unit: NTD thousand

Name of accounting firm	Names of accountants	Audit professional fees	Non-audit professional fees					Accountants' audit period	Remarks
			System design	Business registeration	Human resources	Others	Sub-total		
Ernst & Young	Wan-Ru Chiou Shao-Bin Guo	4,790	716	-	-	637	1,353	2019	Non-audit public expenses-others, mainly the annual fees of overseas companies and public fees applied for preferential income tax rates.

(ii) If the audit firm is replaced and the audited public fee paid in the replacement year is lower than the audited public fee of the previous year, the amount of the audited public fee before and after the replacement shall be disclosed and the reason of which: Not applicable.

(iii) If the audit public expenditure has decreased by more than 10% compared with the previous year, the amount, proportion and reason for the reduction of audit public expenditure shall be disclosed: the audit public expenditure for the year of 2019 will be reduced by $1,233 thousand (-20%) compared to the previous year. Transfer pricing and overseas company-annual fee reclassification to non-audit public expense system design and other reasons.

5. Change of CPAs information: Due to the internal organization adjustment of Ernst & Young Global Limited, the financial statements will be reviewed since the first quarter of 2020 and the authorized accountants will be changed to Wan-Ru Chiou and Xin-Min Xu.

6. Chairman, general manager or finance/accounting manager of the company who worked for the accounting firm of the company's CPAs or its affiliates in the most recent year: None.

7. Equity transfer and equity pledge changes by directors, managers and shareholders holding more than 10% of the company's shares in the most recent year and up to the date of publication of the annual report

(I) Changes in shareholder's equity of director, manager and shareholders with shareholdings exceeding 10%:

Unit: Share

Position	Name	2019		2020 (until March 31st)	
		Increased (decreased) shares hold	Increased (decreased) shares pledged	Increased (decreased) shares hold	Increased (decreased) shares pledged
Director (Note 1)	United Microelectronics Corporation	—	—	—	—
Representative of Legal Person Director and Strategy Officer	Chia-Tsung, Hung	—	—	—	—
Representative of Legal Person Director	Ying-sheng, Shen	—	—	—	—
Chairman and President	Kuo-Yung Wang	—	—	—	—
Director and Chief Operating Officer	Shih-Chin Lin	79,000	—	(50,000)	—
Director and Financial Manager	Wen-Ju Tseng	—	—	(10,000)	—
Independent Director	Ling-ling, Wu	—	—	—	—
Independent Director	Ning-Hai, Jin	—	—	—	—
Independent Director	Bing-kwan, Luo	—	—	—	—
Senior Vice President	Chien-Ming Chen	—	—	—	—
Vice President	Jhy-Heng Wang	—	—	—	—
Vice President	Kun-Cheng Wu	—	—	—	—
Associate Vice President	Te-Hsun Yu	—	—	—	—
Associate Vice President	Yi-Chi, Huang (Note 2)	(21,000)	—	(18,000)	—
Associate Vice President	Po-Hao Mao (Note 2)	(32,000)	—	(8,000)	—
Associate Vice President	Rong-Xing Lai	10,000	—	—	—
Associate Vice President	Chen-Sing Jian (Note 2)	—	—	—	—
Associate Vice President	Guo-Hua Li (Note 2)	—	—	—	—

Note 1: Major shareholders with more than 10% of the Company’s shares.
Note 2: Equity transfer and pledge are information between internal officers.
Note 3: Related parties of transactions of equity transfer are non-affiliates.

(II) Equity transfer information: None.

(III) Equity pledge information: None.

8. Top-ten shareholders who are related parties, spouses or relatives within the second-tier kinship:

March 31st, 2020 Unit: Share

NAME	PERSONAL SHAREHOLDING		SHARES HOLD BY SPOUSE, UNDERAGED CHILDREN		SHARES HOLD UNDER THE NAME OF OTHERS		THE TITLE OR NAME AND RELATIONSHIP AMONGST TOP TEN MAJOR SHAREHOLDERS WITH RELATIONSHIP OR AS THE SPOUSE, DIRECT KINSHIP ACCORDING TO ARTICLE 6 OF FINANCIAL ACCOUNTING STANDARDS		REMARKS
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or Name)	Relationship	
UNITED MICROELECTRONICS CORPORATION REPRESENTATIVE: CHIA-TSUNG, HUNG	34,240,213 –	13.77% –	– –	– –	– –	– –	– –	– –	
FUNDS DWS IN CUSTODY BY DEUTSCHE BANK	15,370,000	6.18%	–	–	–	–	–	–	
NAN SHAN LIFE INSURANCE CO., LTD. PERSON IN CHARGE: YING-TSUNG, DU	14,155,000 –	5.70% –	– –	– –	– –	– –	– –	– –	
ISHARESIV CO., LTD. IN CUSTODY BY STANDARD CHARTERED BANK	10,613,000	4.27%	–	–	–	–	–	–	
ALLIANZ GLOBAL INVESTORS TAIWAN TECHNOLOGY FUND	8,441,000	3.40%	–	–	–	–	–	–	
JPMORGAN IN CUSTODY FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	4,015,786	1.62%	–	–	–	–	–	–	
TRANS GLOBE LIFE INSURANCE CO., LTD. PERSON IN CHARGE: TENG-DE PENG	3,663,000 –	1.47% –	– –	– –	– –	– –	– –	– –	
VANGUARD FTSE EMERGINH MARKETSSTOCK INDEX FUND	3,188,000	1.28%	–	–	–	–	–	–	
NORGES BANK INVESTMENT MANAGEMENT IN CUSTODY BY CITI BANK	3,056,000	1.23%	–	–	–	–	–	–	
MING-CHIEH TSAI	2,601,000	1.05%	–	–	–	–	–	–	

9. Shareholdings of the company, its directors, managers and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the ratio of consolidated shareholdings

March 31st, 2020 Unit: Thousand shares

Transfer investment (Note)	The Company's investment		Investment of Director, Manager, or under direct or indirect control of businesses		Consolidated investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Faraday Technology Corporation (USA)	118,580(common stock) 2,000 (preferred stock)	100%	—	—	118,580(common stock) 2,000 (preferred stock)	100%
Faraday Technology Japan Corporation	2	99.95%	—	—	2	99.95%
Faraday Technology-B.V.I.	22,140	100%	—	—	22,140	100%
Chihong Investment Co., Ltd	91,000	100%	—	—	91,000	100%
Shengbang Investment Co., Ltd	22,202	100%	—	—	22,202	100%
Faraday Technology Vietnam Company Limited	—	100%	—	—	—	100%

IV. Capital Raising

1. Capital and shares

(I) Source of capital

1. Capital formation

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
March, 2009	10	420,000	4,200,000	359,303	3,593,029	Transfer of employee stock option certificates	None	Note 1
April, 2009	10	420,000	4,200,000	359,311	3,593,109	Transfer of employee stock option certificates	None	Note 2
May, 2009	10	420,000	4,200,000	359,756	3,597,564	Transfer of employee stock option certificates	None	Note 3
August, 2009	10	420,000	4,200,000	360,607	3,606,071	Transfer of employee stock option certificates	None	Note 4
August, 2009	10	420,000	4,200,000	365,334	3,653,343	Capital surplus transferred from surplus	None	Note 5
January, 2010	10	420,000	4,200,000	367,344	3,673,445	Transfer of employee stock option certificates	None	Note 6
April, 2010	10	500,000	5,000,000	369,987	3,699,873	Transfer of employee stock option certificates	None	Note 7
June, 2010	10	500,000	5,000,000	370,447	3,704,473	Transfer of employee stock option certificates	None	Note 8
August, 2010	10	500,000	5,000,000	370,538	3,705,383	Transfer of employee stock option certificates	None	Note 9
January, 2011	10	500,000	5,000,000	371,952	3,719,523	Transfer of employee stock option certificates	None	Note 10
March, 2011	10	500,000	5,000,000	366,952	3,669,523	Decrease in treasury stock	None	Note 11
April, 2011	10	500,000	5,000,000	370,392	3,703,918	Transfer of employee stock option certificates	None	Note 12
May, 2011	10	500,000	5,000,000	376,886	3,768,858	Transfer of employee stock option certificates	None	Note 13
August, 2011	10	500,000	5,000,000	378,236	3,782,358	Transfer of employee stock option certificates	None	Note 14

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
July, 2011	10	500,000	5,000,000	397,117	3,971,165	Capital surplus transferred to capital	None	Note 15
January, 2012	10	500,000	5,000,000	398,027	3,980,270	Transfer of employee stock option certificates	None	Note 16
April, 2012	10	500,000	5,000,000	398,754	3,987,535	Transfer of employee stock option certificates	None	Note 17
May, 2012	10	500,000	5,000,000	402,310	4,023,098	Transfer of employee stock option certificates	None	Note 18
August, 2012	10	500,000	5,000,000	402,960	4,029,600	Transfer of employee stock option certificates	None	Note 19
January, 2013	10	500,000	5,000,000	403,608	4,036,075	Transfer of employee stock option certificates	None	Note 20
April, 2013	10	500,000	5,000,000	404,246	4,042,459	Transfer of employee stock option certificates	None	Note 21
May, 2013	10	500,000	5,000,000	406,208	4,062,075	Transfer of employee stock option certificates	None	Note 22
August, 2013	10	500,000	5,000,000	406,380	4,063,798	Transfer of employee stock option certificates	None	Note 23
November, 2013	10	500,000	5,000,000	406,893	4,068,930	Transfer of employee stock option certificates	None	Note 24
April, 2014	10	500,000	5,000,000	408,344	4,083,441	Transfer of employee stock option certificates	None	Note 25
May, 2014	10	500,000	5,000,000	411,079	4,110,788	Transfer of employee stock option certificates	None	Note 26
August, 2014	10	500,000	5,000,000	411,470	4,114,703	Transfer of employee stock option certificates	None	Note 27
November, 2014	10	500,000	5,000,000	413,125	4,131,255	Transfer of employee stock option certificates	None	Note 28
March, 2015	10	500,000	5,000,000	414,250	4,142,505	Transfer of employee stock option certificates	None	Note 29
August, 2015	10	500,000	5,000,000	248,550	2,485,503	Decrease in capital and return of capital	None	Note 30

Note 1: Transfer of employee stock option certificates, with 602 thousand shares, has been approved by Hsinchu Science Park Bureau 98.3.20 Yuanshang-zi No. 0980007957.

Note 2: Transfer of employee stock option certificates, with 8 thousand shares, has been approved by

Hsinchu Science Park Bureau 98.4.22 Yuanshang-zi No. 0980010023.

Note 3: Transfer of employee stock option certificates, with 445 thousand shares, has been approved by Hsinchu Science Park Bureau 98.5.19 Yuanshang-zi No. 0980013417.

Note 4: Transfer of employee stock option certificates, with 851 thousand shares, has been approved by Hsinchu Science Park Bureau 98.8.20 Yuanshang-zi No. 0980022629.

Note 5: Capital surplus transferred from surplus of NTD $47,271 thousand from 2009, with 4,727 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 98.7.10 Jinguan-zheng Fa-zi No. 0980034538.

Note 6: Transfer of employee stock option certificates, with 2,010 thousand shares, has been approved by Hsinchu Science Park Bureau 99.1.22 Yuanshang-zi No. 0990001404.

Note 7: Transfer of employee stock option certificates, with 2,643 thousand shares, has been approved by Hsinchu Science Park Bureau 99.4.9 Yuanshang-zi No. 0990009112.

Note 8: Transfer of employee stock option certificates, with 460 thousand shares, has been approved by Hsinchu Science Park Bureau 99.6.1 Yuanshang-zi No. 0990014595.

Note 9: Transfer of employee stock option certificates, with 91 thousand shares, has been approved by Hsinchu Science Park Bureau 99.8.16 Yuanshang-zi No. 0990023695.

Note 10: Transfer of employee stock option certificates, with 1,414 thousand shares, has been approved by Hsinchu Science Park Bureau 100.1.14 Yuanshang-zi No. 1000001274.

Note 11: Decrease in treasury stock, with 5,000 thousand shares, has been approved by Hsinchu Science Park Bureau 100.3.14 Yuanshang-zi No. 1000007430.

Note 12: Transfer of employee stock option certificates, with 3,440 thousand shares, has been approved by Hsinchu Science Park Bureau 100.4.22 Yuanshang-zi No. 1000010699.

Note 13: Transfer of employee stock option certificates, with 6,494 thousand shares, has been approved by Hsinchu Science Park Bureau 100.5.18 Yuanshang-zi No. 1000013784.

Note 14: Transfer of employee stock option certificates, with 1,350 thousand shares, has been approved by Hsinchu Science Park Bureau 100.8.19 Yuanshang-zi No. 1000024283.

Note 15: Capital surplus transferred to capital of NTD $188,807 thousand, with 18,881 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 100.7.18 Jinguan-zheng Fa-zi No. 1000033188.

Note 16: Transfer of employee stock option certificates, with 910 thousand shares, has been approved by Hsinchu Science Park Bureau 101.1.17 Yuanshang-zi No. 1010001486.

Note 17: Transfer of employee stock option certificates, with 727 thousand shares, has been approved by Hsinchu Science Park Bureau 101.4.11 Yuanshang-zi No. 1010010460.

Note 18: Transfer of employee stock option certificates, with 3,556 thousand shares, has been approved by Hsinchu Science Park Bureau 101.5.15 Yuanshang-zi No. 1010014163.

Note 19: Transfer of employee stock option certificates, with 650 thousand shares, has been approved by Hsinchu Science Park Bureau 101.8.16 Yuanshang-zi No. 1010025281.

Note 20: Transfer of employee stock option certificates, with 648 thousand shares, has been approved by Hsinchu Science Park Bureau 102.1.16 Yuanshang-zi No. 1020010747.

Note 21: Transfer of employee stock option certificates, with 638 thousand shares, has been approved by Hsinchu Science Park Bureau 102.4.16 Yuanshang-zi No. 1020010896.

Note 22: Transfer of employee stock option certificates, with 1,962 thousand shares, has been approved by Hsinchu Science Park Bureau 102.5.16 Yuanshang-zi No. 1020014150.

Note 23: Transfer of employee stock option certificates, with 172 thousand shares, has been approved by Hsinchu Science Park Bureau 102.8.15 Yuanshang-zi No. 1020024332.

Note 24: Transfer of employee stock option certificates, with 513 thousand shares, has been approved by Hsinchu Science Park Bureau 102.11.15 Yuanshang-zi No. 1020034787.

Note 25: Transfer of employee stock option certificates, with 1,451 thousand shares, has been approved by Hsinchu Science Park Bureau 103.4.1 Chushang-zi No. 1030009307.

Note 26: Transfer of employee stock option certificates, with 2,735 thousand shares, has been approved by Hsinchu Science Park Bureau 103.5.6 Chushang-zi No. 1030012756.

Note 27: Transfer of employee stock option certificates, with 391 thousand shares, has been approved by Hsinchu Science Park Bureau 103.8.13 Chushang-zi No. 1030023635.

Note 28: Transfer of employee stock option certificates, with 1,655 thousand shares, has been approved by Hsinchu Science Park Bureau 103.11.19 Chushang-zi No. 1030033760.

Note 29: Transfer of employee stock option certificates, with 1,125 thousand shares, has been approved by Hsinchu Science Park Bureau 104.3.30 Chushang-zi No. 1040008253.
Note 30: Decrease in capital and return of capital, with 165,700 thousand shares, has been approved by Hsinchu Science Park Bureau 104.8.4 Chushang-zi No. 1040022281.

2. Type of shares issued in the recent year and until publication of annual report

May 11th, 2020 Unit: Share

Type	Approved share capital			Remarks
	Issued share	Unissued share	Total	
Common stock	248,550,313	251,449,687	500,000,000	Is the stock of listed companies. The approved share capital includes the 5000,000 shares of employee stock option certifications.

(II) Shareholder structure

March 31th, 2020 Unit: Share

Shareholder structure / Number	Government agency	Financial organization	Other legal persons	Personal	Foreign organization and legal persons	Total
Number of people	1	15	141	52,944	96	53,197
Share hold	1,096,000	28,864,568	35,146,924	125,511,184	57,931,637	248,550,313
Shareholding ratio	0.44%	11.61%	14.14%	50.50%	23.31%	100.00%

(III) Dispersion of shares

Common stock

March 31th, 2020

Shareholding level	Number of shareholders	Share hold	Shareholding ratio
1 to 999	28,106	3,883,895	1.56%
1,000 to 5,000	20,520	41,130,909	16.55%
5,001 to 10,000	2,632	19,948,616	8.03%
10,001 to 15,000	674	8,616,642	3.47%
15,001 to 20,000	399	7,397,963	2.98%
20,001 to 30,000	348	8,909,529	3.58%
30,001 to 50,000	243	9,574,002	3.85%
50,001 to 100,000	160	11,513,641	4.63%
100,001 to 200,000	60	8,512,764	3.42%
200,001 to 400,000	23	5,975,830	2.40%
400,001 to 600,000	5	2,412,998	0.97%
600,001 to 800,000	3	1,882,563	0.76%
800,001 to 1,000,000	3	2,700,248	1.09%
1,000,001 or more (please set levels according to actual needs)	21	116,090,713	46.71%
Total	53,197	248,550,313	100.00%

(IV) List of major shareholders

March 31th, 2020

Name of major shareholder \ Shares	Share hold	Shareholding ratio
United Microelectronics Corporation	34,240,213	13.77%
FUNDS DWS IN CUSTODY BY DEUTSCHE BANK	15,370,000	6.18%
NAN SHAN LIFE INSURANCE CO., LTD. PERSON IN CHARGE: YING-TSUNG, DU	14,155,000	5.70%
ISHARESIV CO., LTD. IN CUSTODY BY STANDARD CHARTERED BANK	10,613,000	4.27%
ALLIANZ GLOBAL INVESTORS TAIWAN TECHNOLOGY FUND	8,441,000	3.40%
JPMORGAN IN CUSTODY FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	4,015,786	1.62%
TRANS GLOBE LIFE INSURANCE CO., LTD. PERSON IN CHARGE: TENG-DE PENG	3,663,000	1.47%
VANGUARD FTSE EMERGINH MARKETSSTOCK INDEX FUND	3,188,000	1.28%
NORGES BANK INVESTMENT MANAGEMENT IN CUSTODY BY CITI BANK	3,056,776	1.23%
MING-CHIEH TSAI	2,601,412	1.05%

(V) Price per share, net worth, surplus, dividends and relation information of the last two years

Unit: Unit for weighted average number of shares is Share, the others are all in NTD

Item \ Year			2018	2019	2020 (until March 31st)
Price per stock	Highest		83.40	65.00	61.40
	Lowest		28.00	39.00	29.15
	Average		63.43	51.29	46.42
Net asset value for each share	Before distribution		19.30	20.94	20.62
	After distribution		18.50	(Note)	—
Earnings per share	Number of weighted average shares		248,550,313	248,550,313	248,550,313
	Earnings per share		1.06	1.40	0.16
Dividend per share	Cash dividend		0.80	(Note)	—
	Stock grants	Stock dividend from retained earnings	—	(Note)	—
		Stock dividend from capital surplus	—	(Note)	—
	Accumulated dividends in arrears		—	—	—
Return on investment analysis	Price-earnings ratio		59.84	36.64	—
	Price to dividend ratio		79.29	(Note)	—
	Cash dividend yield (%)		1.26	(Note)	—

Note 1: Finalized upon resolution of Shareholders' Meeting in 2020.

Note 2: Calculating formulas:

(1) Price-earnings ratio = Average annual closing price per share / Earnings per share

(2) Price to dividend ratio = Average annual closing price per share/ Cash dividend per share

(3) Cash dividend yield = Cash dividend per share / Average annual closing price per share

(VI) Company dividend policy and execution

1. Dividend policy

If the Company’s annual accounts are in surplus, they will be distributed in the following order:

(1) Withholding taxes.

(2) Breakeven.

(3) Deposit 10% of which as statutory surplus reserve.

(4) Set or revolve special surplus reserves by law.

(5) The accumulated undistributed surplus in the previous period would act as shareholder bonus. The shareholder bonus will be distributed by the Shareholders’ Meeting, except for the part of the reserve that will be distributed in subsequent years.

The Company's policy of dividend distribution shall be based on the current and future investment environment, capital requirements, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balancing dividends and long-term financial planning of the Company. Each year, the Board of Directors would draft a distribution proposal and submit which to the Shareholders’ Meeting. As the Company is currently under growth of industrial development, there is no shortage of expansion plans and capital requirements in the future. The proportion of cash dividends distributed in the dividends distributed in the current year shall not be less than ten percent (10%) of the total dividends.

According to the Company Act, the legal reserve shall be allocated until its total amount has reached the paid-in capital. The legal reserve shall make over the losses; when the company has no losses, it shall issue new stocks or cash in accordance with the proportion of the shareholders' original stock at the portion of the legal reserve exceeding 25% of the paid-in capital. When the Company distributes the earnings, it shall withdraw appropriated retained earnings for the listed net deductions of other shareholders' equity that occurred in the current year under the provisions. The reserve must be distributed on the reversal if there is a reversal of the balance of other shareholders' equity deductions afterward.

2. Distribution proposal of dividends in this Shareholders' Meeting

The Company's 2019 surplus distribution proposal has been approved by the 8th Board of Directors Meeting on February 13th, 2020. The proposal will be submitted to the Shareholders' Meeting for discussion, and will formulate a cash dividend of NTD $273,405,344 for a surplus of NTD $1.1 per share.

(VII) Effect of proposed stock grant distribution of the Shareholders' Meeting on the Company's operating performance and earnings per share: Not applicable.

(VIII) Compensation of employees, directors and supervisors

1. The percentage or scope of compensation for employees, directors and supervisors stated in the Company's articles of incorporation: According to set regulations of the Company's articles of incorporation, if the company makes a profit in the year, it should pay no less than 10% of the employee's compensation and no more than 2% of the director's remuneration after deducting the accumulated losses. The distribution of employee compensation can be paid in cash or in stock. Among them, the dividends issued by the Company should include employees of subordinate companies that meet certain conditions.

2. In the current period, the estimated basis of the remuneration of employees, directors and supervisors, the calculation basis of the number of shares remunerated by the stocks and the actual distribution amount are treated as if they differ from the estimated number of entries:

(1) The basis for the Company's assessment of remuneration expenses of employees and directors is determined by the Board of Directors in accordance with the Company's proposed amendments to the regulations, and in accordance with statutory requirements and discretionary industry standards.

(2) Calculate on the basis of number of shares of employee remuneration for distribution of stocks: Not applicable.

(3) Accounting treatment of the difference between the actual distributed amount and the estimated amount: If there is any difference between the actual distributed amount and the estimated amount, it shall be treated according to the change in accounting estimates.

3. Approval of remuneration distribution by the Board of Directors:

(1) Proposed to distribute employees with cash remuneration of NTD

$51,661,967 and directors with cash remuneration of NTD $216,227 which is of no difference from the estimated value of original accounts.

(2) Proportion of employee remuneration distributed by stock, total net profit after tax, and the total amount of employee compensation of the current period: Not applicable.

4. The actual distribution of compensation for employees, directors and supervisors in the previous year (including the number of shares, amount and share price), the difference between the recognition of compensation for employees, directors and supervisors, reasons of which and processing of such situations:

   In the self-accumulated surplus of 2018, a total of NTD $39,344,567 was distributed to employee cash compensation, and a total of NTD $249,720 was distributed to director cash compensation, and there is no difference between the actual compensation and the estimated value.

(IX) Company buyback of the Company's shares: None.

2. Status of corporate bonds: None.
3. Status of preferred shares: None.
4. Status of overseas depository receipts: None.
5. Status of employee stock options: None.
6. Status of new restricted-right employee shares: None.
7. Status of issuance of new shares for merger or acquisition or receipt of shares of other companies: None.
8. Status of capital utilization plan execution
   (I) Previously issued or privately held securities have not been completed or have been completed in the last three years with the project benefits have not yet been revealed: None.
   (II) Execution: Not applicable.

V. Operations Overview

1. Business scope
   (I) Business scope
      1. Main business content
         (1) Component database for special application integrated circuit design
         (2) Electronic design, automation software tools for special application integrated circuit design
         (3) Professional services for the design, manufacture and testing of special application integrated circuits and their components
         (4) Silicon intellectual property smart components design and technical licensing services
      2. Proportion of each product

Unit: NTD thousand

Type of main products	2019	
	Revenue	Proportion
ASIC and wafer products	3,055,045	57.58%
Non-recurring engineering	1,368,757	25.79%
Intellectual property components and technical royalty	882,549	16.63%
Total	5,306,351	100.00%

      3. Main products and services

(1)Non-Recurring Engineering (NRE): Entrusted by customers to develop and design ASIC products. The Company provides the needed circuit design component databases and various silicon intellectual property components (SIP) for the design of products, to produce circuit diagram of the mask of products, and commission OEMs to produce light masks, wafers, cutting and packaging of products. Then, the Company's engineering personnel will perform product testing and quality control, before finally handing over production samples to customers.

(2) ASIC products: Mass production of ASIC products under the trust of customers (Mass Production). After completing the client's commissioned design and the sample product has been accepted by the customer, the Company will be asked to perform mass production. The final ASIC products will be delivered as wafers or packaged tested ICs for delivery to clients.

(3) Silicon Intellectual Property (SIP): Design components for circuits with special features and reusability. In the increasingly sophisticated ASIC design territory, SIP provides customers (mainly IC design and system vendors) with a convenient and fast solution. Faraday SIP can be

authorized to be integrated by the customer or used as an optional component in ASIC project design.

4. Planned products and services

(1) 28nm ASIC platform solution development, ASIC platform solution of RISC-V development.

(2) ASIC design for 5G network communication related applications and data exchange expansion.

(3) ASIC design for AR / VR related applications and high-resolution projection display expansion.

(4) 22nm ULP/ULL standard cell library, memory compilers, I/O library, High Speed I/O Interfaces.

(5) 14nm FF+ standard cell library, memory compilers, I/O library, High Speed I/O Interfaces.

(II) Industry overview

In recent years, Taiwan's wafer industry has flourished, and the division of labor system has become more specialized. Many individual manufacturers are involved in each production process. The vertical division of labor is clear, and each of which is clear and of its own specialized area. As a result, the upstream, midstream and downstream of Taiwan's wafer industry structure is more complete.

Division of work of upstream, midstream and downstream of Taiwan's IC industry

Structure	Steps	Manufacturing process
Upstream	Design services and design	Logic design, circuit design, graphic design
Midstream	Production of light masks and wafers	Oxidation, light mask standard, etching, impurity diffusion, ion implantation, chemical vapor deposition, metal sputtering, wafer inspection
Downstream	Packaging and testing	Cutting, placement, wire bonding, molding, testing

(III) Technology, research and development overview

1. Research and development expenses

Unit: NTD thousand

	2019	First season of 2019
Research and development expenses (A)	1,903,489	465,456
Operating revenue (B)	5,306,351	1,265,424
(A)/(B)	35.87%	36.78%

2. Successfully developed technologies or products

(1) Offer the 22nm process of UMC a complete IP solution for basic components

(2) Introduced 28nm 28G programmable SerDes IP for Netcom ASIC

(3) A complete Netcom application solution that can support Netcom applications such as aggregation switches, server network cards, and residential gateways, has been introduced by 40/28 Nano Process

(4) The introduction of FIE3240 FPGA IoT development platform and ASIC design services expansion, supporting applications such as IoT, artificial intelligence edge computing, wearable devices, printers, and smart meters

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

Short-term: Increase SIP authorization and develop high-efficiency ASIC projects, expand foreign market and foreign market share through local distributor layouts.

Long-term: Continue to accumulate the Company's SIP development capability and component database, improve IP sub-system to system level, enhance software and hardware integration technological capability and develop SoC platform with the key basis of which, in order to provide customers with more specific value to expand market share rapidly.

2. Overview of the market and production and sales status

(I) Market analysis

1. Sales and area of provision of main products and services

Unit: NTD thousand

Region \ Year		2017		2018		2019	
		Value	Percentage	Value	Percentage	Value	Percentage
Domestic sales		1,259,751	23.58%	1,132,205	23.08%	1,429,839	26.95%
Export sales	USA	667,309	12.49%	609,882	12.44%	370,712	6.99%
	China	2,145,385	40.16%	2,029,882	41.38%	2,215,654	41.75%
	Korea	281,876	5.27%	92,656	1.89%	132,003	2.49%
	Europe	274,526	5.14%	287,129	5.85%	221,234	4.17%
	Japan	713,762	13.36%	753,184	15.36%	792,039	14.93%
	Others	0	0.00%	0	0.00%	144,870	2.72%
Total export sales		4,082,858	76.42%	3,772,453	76.92%	3,876,512	73.05%
Total		5,342,609	100.00%	4,904,658	100.00%	5,306,351	100.00%

2. Main competitors and market share

Faraday is one of the few enterprises of the industry that is capable of ASIC/SoC design services, while also having thousands of built-in IP databases. For ASIC design services in Taiwan, apart from the Company, examples of large-scale competitors include Global Unichip Corp. and

Alchip Technologies, Limited.

3. Market supply and demand situation, and growth in the future

(1) ASIC

Continues to grow steadily. It is also worth noting that high complexity, the need to more closely integrate IP, memory (ROM, SRAM, Flash, or DRAM), and SoC design requirements that require one or more processors is the mainstream trend in the current ASIC market. Such trends are also in line with the current direction of development of Faraday's efforts and niche. As Faraday Technology has always mastered SIP, including the most basic component databases, memory compiler, core CPU in SoC (including the instruction set architecture authorized by ARM, etc.) and advanced high-speed transmission interface technology, IP development such as 8G/12.5G/16G/28G Serdes, USB 3.1, SATA III and PCIe G3/G4. At the same time, the Company introduces the development environment/tools of relevant EDA companies, and cooperate which with the system design integration services Faraday is best at, thereby constructing complete virtual development technology services for electronic system levels (SoReal!TM Virtual Platform Service), in order to effectively shorten time for pre-development and greatly reduces risks and costs of development.

(2) Silicon intellectual property components

According to reports of the market survey organization, Dataquest, the average annual compound growth rate of IP in recent years has been maintained to be above double-digits levels, which is higher than the growth rate of the global semiconductor market, reflecting upon the importance of SIP in the design and development of wafers.

4. Competitive niche

(1) High self-made component rate

The implementation of technology is the core concept that the Company has always adhered to in order to provide customers with immediate and correct design services, and to continue to develop new components based on such basis.

(2) Complete component design and verification process

In the ASIC design services industry, providing a quick and accurate design and verification process is one of the prerequisites. The component database developed by Faraday has undergone a complete silicon verification process, and the entity verification is a function-correct component database to provide customers with the use of the ASIC design service, so that the Company is able to offer its customers the fastest ASIC design service. Customers are then able to achieve the purpose of product launch in the shortest time.

(3) Development of niche component products

Continue to develop 40nm, 28nm, 22nm, 14nm and standard component databases of more advanced process. Furthermore, the Company has also devoted a high level of resources in the development of advanced product components such as reduced instruction set central processing units, digital signal processors, mixed signal products, embedded memory, and system single chips.

(4) Complete component database development experience

The Company is the third largest manufacturer of complete process component databases in the world. With the evolution of the process, the Company continues to develop standard component databases, and has accumulated a lot of high-performance IP and excellent R&D talents through complete development experience.

(5) Complete design resources

In addition to providing customers with standard component databases of various wire diameter specifications and gate array databases, the Company also offer core components and the various related application software such as memory compilers, data paths, MegaCells, Analog Cells, so as to provide a complete design environment for the design of system single chips.

(6) Provide the resolution of system-level design

As the electronic products are increasingly updated, and the lead time of every single product is shortened, the rapid time-to-market is the basic requirement for maintaining competitiveness. The intellectual property database, IP subsystem (sub-system), and SoC development platform provided by Faraday Technology are the best resources for implementing system-level chip design immediately. The Company assist the customers to complete the chip design in the shortest time, and effectively improve the first-cut-work probability, and ensure that their system side can be rapidly integrated to help the customers to introduce the products to the market in the best time.

(7) Complete research and development team

Since its establishment, the Company has set developments of its own technology as core value of the Company, and is home to many experienced ASIC design and development talents for many years, including those of mixed signal/analog IP development, SoC design integration and back-end design, wafer production verification, etc. The R&D team level of the Company thereby go hand in hand with advanced international manufacturers to provide perfect design resources and services for global IC design operators and system manufacturers.

(8) Neutral position

The Company's main businesses are ASIC design services and SIP authorization, so it does not product its own brand of IC products. We assist customers in the establishment of specifications, development, manufacturing, packaging, testing, and provide the final IC products to clients, taking an absolutely neutral industrial position. At the same time, we are able to fully protect business-related secrets of our clients, allowing our customers to make use of the provided design service resources with confidence.

5. Advantages, disadvantages and counter measures of the Company's future development

(1) Advantages

① ASIC talents are gradually recognized by the market and potential customers (IDM, system manufacturers)

In the past, when IDM manufacturers or large-scale system factories designed integrated circuits, they often used their own resources and talents as the main source. However, with the trend of company organization, asset thinning and professional division of labor, as well as how the ASIC professional ability is gradually gaining recognition from the market, these vendors are beginning to focus more on their own niche or product development. The design and manufacture of some major IC components was transferred to ASIC design services to assist in the design and mass production, thereby allowing quick introduction of developments to master the market niche.

② Complete R&D team and rich ASIC design and development experience

Since its establishment, Faraday has long regarded the research and development of its own design technology as its main goal of operation. Throughout the years, the Company has accumulated outstanding R&D talents in various fields of ASIC, thereby holding rich and professional development experience. Therefore, based on the technology-leading R&D team, the Company has a high component self-manufacturing rate and a complete component verification process to provide customers with complete and high-quality design services.

③ System level wafer design and service model

In order to reduce risks, accelerate design integration and enable fast market grabs, system-level chip design and service capabilities are undoubtedly the mainstream of the current market, and the core component database plays a pivotal role in reducing design complexity and improving timeliness. The rich SIP databases, IP sub-systems and SoC development platforms provided by Faraday are the best resources for quickly implementing system-level chip design, thereby helping customers to complete chip design in the shortest time, and effectively improve the first-cut-work probability, ensuring that its system end can be quickly integrated to help customers seize the best time for launch of products.

④ Upstream and downstream industries of the semiconductor industry are closely related to one another, bringing clustering effect that enable speedy provision of services

The semiconductor upstream and downstream industries are roughly divided into IC design industry, wafer foundries, cutting and packaging factories and test factories. However, due to the development of a unique vertical division of labor industry model in

Taiwan, which is mainly established in the Hsinchu Science Park, Faraday's well-established and systematic supply key management strategy, close and in-depth cooperation with upstream and downstream industries are important factors for Faraday to provide rapid and quality service.

(2) Disadvantages and counter measures

① Rise of professional labor costs

Since the resources of ASIC design services come from a strong R&D team, high-tech talent is a key factor in the Company's successful operations. In recent years, due to the booming development of the IC industry, and the cost of employee dividends, the professional labor cost has been relatively increased, and the Company has paid a high labor cost for the cohesiveness of professional talents. The counter measures are as follows:

A. Improve proportion of high value-added products, such as the core components required for system single-chip, technical capabilities and experience at system level.

B. Develop a database of more advanced processes, enhance core technology competitiveness and advantages, and strive for cooperation opportunities with more customers.

② With ASIC design services becoming the trend of the market, attracting more competitors in the industry

As IC design becomes more complex, especially when it comes to the design of system-on-a-chip and embedded memory, ASIC design services and IP licensing will become an indispensable business. Coupled with changes in industry supply and demand, the potential customer's demand for custom design from IDM/system vendors will undoubtedly attract many competitors to the industry. The Company's countermeasures are to develop higher-level design techniques and strengthen system-level services, providing customers with fast and accurate services. At the same time, the Company will strive to develop niche applications, adjust product/customer composition, increase added value, and develop international markets.

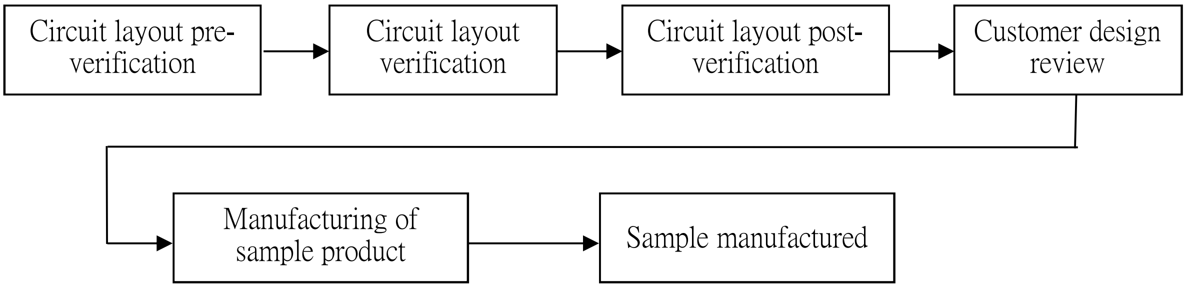
(II) Important use of main products and production process

1. Important use of main products

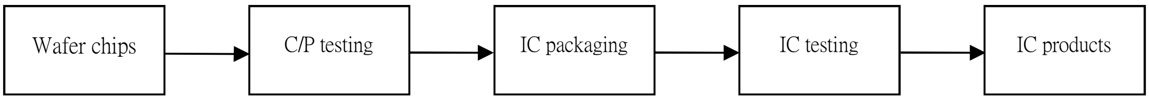
Faraday Technology mainly provides the needed technical services needed for the design and production of ASIC products. ASIC products can be used for a variety of purposes, such as: applications for web communications, multimedia, computer storage and peripherals, consumer electronics, AIoT, etc.

2. Production process of main products

The first phase is non-recurring engineering (NRE) based on orders of clients, and produce sample products for shipments. The production process of which is as follows:



The second phase is to enter mass production of products verified by the customer. The production process of which is as follows:



(III) Supply of main raw materials

The main raw materials of the Company are wafers. The main supplier is United Microelectronics Corporation, a professional wafer foundry. Due to the establishment of long-term strategic alliance cooperation, the supply of raw materials is stable.

(IV) Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

1. Major Suppliers with over 10% total purchases of the last two fiscal years

Unit: NT$ thousands

	2018				2019				2020Q1			
Items	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	United Microelectronics Corporation	843,269	48.77	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	1,049,653	50.73	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	179,363	39.38	Major shareholder holding more than 10% of shares
2	Supplier A	292,238	16.90	Other Related Party	Supplier A	563,659	27.24	Other Related Party	Supplier A	191,984	42.16	Other Related Party
	Others	593,710	34.33		Others	455,593	22.03		Others	84,072	18.46	
	Net Purchase	1,729,217	100.00		Net Purchase	2,068,905	100.00		Net Purchase	455,419	100.00	

Note: The major supplier is foundry. The raw materials purchased from foundry were wafers. The Company maintains good cooperative relations with the third-party manufacturers, and there is no shortage or interruption.

2. Major Customers with over 10% net sales of the last two fiscal years

Unit: NT$ thousands

	2018				2019				2020Q1			
Items	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	Customer A	148,169	3.02	None	Customer A	602,888	11.36	None	Customer A	318,254	25.15	None
2	United Microelectronics Corporation	444,113	9.05	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	589,636	11.11	Major shareholder holding more than 10% of shares	United Microelectronics Corporation	155,311	12.27	Major shareholder holding more than 10% of shares
	Others	4,312,376	87.93		Others	4,113,827	77.53		Others	791,859	62,58	
	Net Sales	4,904,658	100.00		Net Sales	5,306,351	100.00		Net Sales	1,265,424	100.00	

Note: The increase in the revenue of the Company from sales to customer A in 2019 was due to the increase in the mass production of customer products, and there were no significant changes in the balance.

(V) Production Quantities and Value over the Past Two Year

Unit: NT$ thousands

Year / Production QTY and Value / Major Products	2018		2019	
	Quantity	Value	Quantity	Value
ASIC Products (thousands chip)	49,979	1,276,677	49,431	1,330,254
Wafer Products (wafer)	13,673	335,341	26,069	551,013
NRE	81	721,357	87	781,853
Total		2,333,375		2,663,120

(VI) Sales Quantities and Value over the Past Two Year

Unit: NT$ thousands

Year / Sales QTY and Amount / Main Products	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
ASIC Products (thousands chip)	19,643	475,223	39,326	1,887,079	19,885	514,991	32,083	1,820,465
Wafer Products (wafer)	1,258	29,946	10,378	439,011	1,474	33,173	24,284	686,,415
NRE	19	84,940	72	1,206,821	26	206,758	106	1,161,999
Intellectual Property Components and Royalty	63	542,096	46	239,542	62	674,917	29	207,633
Total		1,132,205		3,772,453		1,429,839		3,876,512

3. Employee Profile

Year		2018	2019	As of 03/31/2020
Employees	Engineer/Administrative	756	805	794
	Management	63	77	78
	Total	819	882	872
Average age		37	37	37
Average years of service		6.0	6.0	6.3
Education (%)	Ph. D.	2%	2%	2%
	Masters	65%	63%	63%
	College/University	33%	34%	35%
	Senior High School	0%	0%	0%
	Junior High School and below	0%	0%	0%

4. Environmental Protection Expenditure Information

The Company is a professional technical service industry, and no major pollutants are produced during the production process. In order to fulfill the corporate social responsibilities, maintain the ecological environment, respond to the requirements of RoHS/WEEE of EU and the green products of major manufacturers, and to adapt the Company's products to international trend, and to successfully sell products to the international market, the Company developed and based on the green environmental protection policies and procedures of Faraday Technology Corporation.

5. Labor Relations

(I) Company's employee benefits, education, training, retirement system and their implementation, as well as the employer/employee agreement status:

1. Employee’s welfare package

■High-competitiveness compensation

(1) Holiday bonus

(2) Employee cash bonus

(3) Motivation bonus

■Multiple welfare package

(1) Lunch allowance and free dinner

(2) Childbirth, wedding, and funeral subsidy

(3) Coupon application

(4) Over 1000 appointed stores

(5) Better special leave compared to the Labor Act as soon as on board

■Colorful life

(1) Multi-functional leisure sports and fitness center

(2) Multi-energy clubs

(3) Employee de-stress center

(4) Concert on the grass

(5) Supervisors’ service day

(6) Excellent art & culture corridor

(7) Music café

(8) Faraday’s family day

(9) Lohas seminar

(10) Happy sky-garden – Delicate garden

■Considerate services and facilities

(1) Regular health check

(2) Labor / health / group insurance and preferential group insurance

(3) Free car parking space

(4) Breastfeeding room

2. Education development

Faraday values the cultivation and development of talents, providing complete training resources and learning environment, constructing a comprehensive training development system and blueprint to accumulate the intellectual capital and overall competitiveness of the Company.

■New-in training

Customized courses for the new-in according to their job requirements and professional experience, assist them quickly adapt to organizational culture and internal processes through general courses, e-course, OJT training, quality document reading, and guidance system.

■OJT

The Education and Training Committee organizes the overall company-wide training plan and regularly reviews to ensure the quality of the courses; simultaneously, it accelerates the improvement of professional skills and organizational combat capabilities of the colleagues under new knowledge of industry trends.

■Multiple training resources

The company offers multiple learning environment and systemic training resources, including: Education and training Expert Committee, internal lecturer team, overseas agent training, international advanced technology seminars, e-course online learning system, internal / external training management system, etc.

■Talents development

Faraday is committed to the cultivation and inheritance of talents. Complies with the talent growth stage and performance development system, individually formulated a career development plan, plus a Mentor Program as support, to enhance the overall competitiveness of the company.

3. Retirement plan

Employees who are compatible with the original retirement system method, the Company would withdrawal 2% of their monthly salary as provision. The Company's employee pensions are paid in accordance with the Labor Standards Act. The Company would withdrawal appropriate pension of monthly salary to the personal Labor Insurance Pensions Accounts for employees who are compatible with the new retirement system method.

4. Agreement between labor and management and various employee rights maintenance measures

Any agreement between labor and management and various employee rights maintenance measures are in accordance with the Labor Standards.

(II) The Company's losses due to employer/employee disputes within the most recent year through the printing date of this annual report: None.

(III) Estimated amount and corresponding measures for the loss of labor disputes at present and in the future

The Company always values the employees' welfare, provides superior working environment, and emphasizes the communication with employees, so that the relationship between labor and management is harmonious. Therefore, the company has no major labor disputes within the most recent year through the printing date of this annual report.

6. Important Contracts

Contract Property	Affiliated Person	Start/Expiration date of Contract	Content	Restrictions
Technical Authorization	Company A	01.14.2019-01.13.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company B	02.12.2019-02.11.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company C	04.10.2019-04.09.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company D	05.23.2019-05.22.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company E	05.27.2019-05.26.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company F	06.06.2019-06.05.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company G	06.17.2017-06.16.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company H	07.24.2019-07.23.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company I	08.19.2019-08.18.2024	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company J	08.19.2020-08.18.2024	License Agreement	Both parties should fulfill confidentiality duty

VI. Financial Status

1. Condensed Balance Sheet and Consolidated Income Statement for the Last Five Years, the Names of the CPAs and Their Audit Opinions

(I) Condensed Balance Sheet and Comprehensive Income Statement(IFRSs)

1. Condensed Balance Sheet—Consolidate

Unit: NT$ thousands

Items \ Year		2015	2016	2017	2018	2019	03/31/2020 Financial Data
Current assets		4,416,046	3,804,351	4,475,142	4,393,723	5,022,750	4,884,744
Property, plant and equipment		581,217	550,772	533,571	575,858	576,808	560,794
Intangible assets		549,292	535,681	434,816	691,470	550,567	488,663
Other assets		1,394,354	1,396,843	1,492,572	1,153,668	1,551,903	1,414,490
Total assets		6,940,909	6,287,647	6,936,101	6,814,719	7,702,028	7,348,691
Current liabilities	Before distribution	1,607,200	1,264,456	1,355,366	1,766,178	2,079,109	1,841,211
	After distribution	2,098,301	1,510,006	2,026,452	1,965,018	(Note)	—
Non-current liabilities		237,610	159,179	50,545	237,180	360,179	327,691
Total liabilities	Before distribution	1,844,810	1,423,635	1,405,911	2,003,358	2,439,288	2,168,902
	After distribution	2,335,911	1,669,185	2,076,997	2,202,198	(Note)	—
Equity attributable to shareholders of the parent company		5,090,573	4,864,012	5,530,190	4,796,379	5,203,716	5,124,461
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		640,227	640,227	598,879	626,596	724,895	725,205
Retained earnings	Before distribution	2,038,838	1,846,516	2,446,668	2,196,490	2,363,027	2,402,322
	After distribution	1,547,737	1,600,966	1,775,582	1,997,650	(Note)	—
Other equity		66,454	32,215	(860)	(512,210)	(369,709)	(488,569)
Treasury stock		(140,449)	(140,449)	—	—	—	—
Non-controlling interest		5,526	—	—	14,982	59,024	55,328
Total equity	Before distribution	5,096,099	4,864,012	5,530,190	4,811,361	5,262,740	5,179,789
	After distribution	4,604,998	4,618,462	4,859,104	4,612,521	(Note)	—

Note: 2019 Earnings distribution has not been approved by the annual shareholder meeting.

Data Source: The above financial information for the year from 2015 to 2019 was audited by CPA; the Q1 consolidated financial information for the year of 2020 was audited by CPA.

2. Condensed Comprehensive Income Statement—Consolidated

Unit: NT$ thousands

Year / Items	2015	2016	2016 (Reclassified) (Note)	2017	2018	2019	03/31/2020 Financial Data
Operating revenue	6,577,815	6,422,145	5,260,067	5,342,609	4,904,658	5,306,351	1,265,424
Gross profit	3,138,866	2,817,129	2,556,202	2,648,187	2,604,877	2,799,542	618,623
Operating profit/loss	527,235	350,891	371,892	314,694	283,008	398,300	42,550
Non-operating income and expenses	40,875	(23,913)	(24,971)	16,096	33,001	18,555	4,600
Income before tax	568,110	326,978	346,921	330,790	316,009	416,855	47,150
Net income from continuing operations	458,000	280,756	300,587	260,419	261,151	336,245	36,177
Profit/Loss from discontinued operations	—	—	(19,381)	575,494	—	—	—
Net income	458,000	280,756	280,756	835,913	261,151	336,245	36,177
Other current comprehensive income	66,903	(16,605)	(16,605)	(22,965)	(164,958)	159,498	(119,589)
Total current comprehensive income	524,903	264,151	264,151	812,948	96,193	495,743	(83,412)
Net income attributable to stockholders of the parent	460,704	281,145	281,145	835,913	263,228	347,877	39,295
Net income attributable to non-controlling interests	(2,704)	(389)	(389)	—	(2,077)	(11,632)	(3,118)
Total comprehensive income attributable to stockholders of the parent	527,607	264,540	264,540	812,948	98,270	507,878	(79,565)
Total comprehensive income attributable to non-controlling interests	(2,704)	(389)	(389)	—	(2,077)	(12,135)	(3,847)
Earnings per share	1.26	1.14	1.14	3.40	1.06	1.40	0.16

Note：The reclassification in 2017 was due to disposing the relevant assets of security control products as non-operating unit.

Data Source: The above financial information for the year from 2015 to 2019 and the first quarter of 2020 was audited by CPA.

3. Condensed Balance Sheet—Parent Company Only

Unit: NT$ thousands

Items \ Year		2015	2016	2017	2018	2019
Current assets		3,269,735	2,778,984	3,326,345	2,830,492	3,219,878
Property, plant and equipment		567,757	534,627	514,025	556,836	561,903
Intangible assets		548,777	534,551	420,850	682,681	518,209
Other assets		2,459,244	2,306,938	2,576,456	2,427,987	2,946,760
Total assets		6,845,513	6,155,100	6,837,676	6,497,996	7,246,750
Current liabilities	Before distribution	1,526,244	1,140,478	1,258,200	1,471,934	1,719,831
	After distribution	2,017,345	1,386,028	1,929,286	1,670,774	(Note)
Non-current liabilities		228,696	150,610	49,286	229,683	323,203
Total liabilities	Before distribution	1,754,940	1,291,088	1,307,486	1,701,617	2,043,034
	After distribution	2,246,041	1,536,638	1,978,572	1,900,457	(Note)
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		640,227	640,227	598,879	626,596	724,895
Retained earnings	Before distribution	2,038,838	1,846,516	2,446,668	2,196,490	2,363,027
	After distribution	1,547,737	1,600,966	1,775,582	1,997,650	(Note)
Other equity		66,454	32,215	(860)	(512,210)	(369,709)
Treasury stock		(140,449)	(140,449)	—	—	—
Total equity	Before distribution	5,090,573	4,864,012	5,530,190	4,796,379	5,203,716
	After distribution	4,599,472	4,618,462	4,859,104	4,597,539	(Note)

Note：2019 Earnings distribution has not been approved by the annual shareholder meeting.

Data Source: The above financial information for each year was audited by CPA.

4. Condensed Comprehensive Income Statement— Parent Company Only

Unit: NT$ thousands

Items \ Year	2015	2016	2016 (Reclassified) (Note)	2017	2018	2019
Operating revenue	6,217,021	6,045,503	4,914,659	4,996,865	4,323,744	4,646,362
Gross profit	2,860,193	2,481,243	2,251,550	2,330,177	2,042,756	2,235,255
Operating profit	502,296	331,691	314,479	318,335	100,531	347,816
Non-operating income and expenses	39,927	(38,310)	(38,310)	(33,745)	178,664	42,464
Income before tax	542,223	293,381	276,169	284,590	279,195	390,280
Net income from continuing operations	460,704	281,145	263,933	251,563	263,228	347,877
Profit/Loss from discontinued operations	—	—	17,212	584,350	—	—
Net income (loss)	460,704	281,145	281,145	835,913	263,228	347,877
Other comprehensive income (loss)	66,903	(16,605)	(16,605)	(22,965)	(164,958)	160,001
Total comprehensive income (loss)	527,607	264,540	264,540	812,948	98,270	507,878
Earnings per share	1.26	1.14	1.14	3.40	1.06	1.40

Note: The reclassification in 2017 was due to disposing the relevant assets of security control products as non-operating unit.

Data Source: The above financial information for each year was audited by CPA.

(II) Auditors' Name and Opinions from 2015 to 2019:

1. Auditors' Name and Opinions from 2015 to 2019

Year	CPA	Audit Opinion
2015	Tu, Chia-Ling, Kuo, Shao-Pin	An Unqualified-modified Opinion
2016	Chiu, Wan-Ju, Kuo, Shao-Pin	An Unqualified Opinion with Other Matter paragraph
2017	Chiu, Wan-Ju, Kuo, Shao-Pin	An Unqualified Opinion with Other Matter paragraph
2018	Chiu, Wan-Ju, Kuo, Shao-Pin	An Unqualified Opinion with Other Matter paragraph
2019	Chiu, Wan-Ju, Kuo, Shao-Pin	An Unqualified Opinion with Other Matter paragraph

2. Instructions for replacing CPAs in the most recent five years

To cooperate with the internal organization adjustment of Ernst & Young, since the auditing of Q3 Financial Statement of 2015, the auditors altered to CPA Chiu, Wan-Ju and CPA Kuo, Shao-Pin. In order to comply with the reorganization of the internal organization of Ernst & Young, Chiu, Wan-Ju and CPA Kuo, Shao-Pin will take over to audit from the Q1 financial statements for the year of 2020.

2. Financial Analysis of the Last Five Years:

(I) Financial Analysis (IFRSs)

1. Financial Ratio Analysis - Consolidated

Analyze Items \ Year		2015	2016	2016 (Reclassified) (Note 1)	2017	2018	2019	As of 03/31/2020
Financial structure (%)	Liability to asset ratio	26.58	22.64	22.64	20.27	29.40	31.67	29.51
	Long-term Fund to Property, Plant and Equipment Ratio	917.68	912.03	912.03	1,045.92	876.70	974.83	982.09
Solvency (%)	Current ratio	274.77	300.87	300.87	330.18	248.77	241.58	265.30
	Quick ratio	236.58	240.78	240.78	291.17	210.46	203.80	222.24
	Times Interest Earned (Times)	—	—	—	—	—	56.21	28.14
Operating performance analysis	Accounts receivable turnover (times)	9.17	7.01	5.74	6.19	6.19	6.10	5.80
	Average collection period	39.80	52.07	63.59	58.96	58.96	59.83	62.93
	Inventory turnover (times)	5.15	5.09	3.82	5.06	4.46	4.07	4.07
	Accounts payable turnover (times)	8.83	8.06	6.04	5.38	3.40	2.65	2.37
	Average days in sales	70.87	71.70	95.55	72.13	81.83	89.68	89.68
	Property, plant and equipment turnover (times)	10.92	11.35	9.29	9.85	8.84	9.21	8.90
	Total assets turnover (times)	0.86	0.97	0.80	0.81	0.71	0.73	0.67
Profitability analysis	Return on total assets (%)	5.99	4.24	4.54	3.94	3.80	4.72	0.50
	Return on stockholders' equity (%)	7.60	5.64	6.03	5.01	5.05	6.68	0.69
	Pre-tax income to paid-in capital (%)	22.86	13.16	13.96	13.31	12.71	16.77	1.90
	Profit ratio (%)	6.96	4.37	5.71	4.87	5.32	6.34	2.86
	Earnings per share (NT$)	1.26	1.14	1.14	3.40	1.06	1.40	0.16
Cash flow	Cash flow ratio (%)	42.57	15.89	15.89	93.50	17.09	41.06	6.42
	Cash flow adequacy ratio (%)	92.73	82.23	82.23	83.89	54.78	65.40	67.67
	Cash reinvestment ratio (%)	1.18	(6.05)	(6.05)	19.00	(8.06)	12.96	2.35
Leverage	Operating leverage	4.15	6.94	3.43	7.91	7.39	6.22	12.97
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.02	1.04

Analysis of financial ratio differences for the most recent two years:

1. The decrease in accounts payable turnover ratio: The decrease is due to the unexpired payment term of accounts payable and the higher balance at the end of the period.
2. Return on assets, return on equity, ratio of net profit before tax accounted for paid-in capital, and increase in earnings per share: Mainly due to the growth of revenue in the current period and the increase in net profit.
3. The increase of Cash flow adequacy ratio, Cash reinvestment ratio: mainly due to the net cash inflow of operating activities for the current period.

2. Financial Ratio Analysis - Parent Company Only

Analyze Items \ Year		2015	2016	2016 (Reclassified) (Note 1)	2017	2018	2019
Financial structure (%)	Liability to asset ratio	25.64	20.98	20.98	19.12	26.19	28.19
	Long-term fund to property, plant and equipment ratio	936.89	937.97	937.97	1085.45	902.61	983.61
Solvency (%)	Current ratio	214.23	243.67	243.67	264.37	192.30	187.22
	Quick ratio	158.61	183.89	183.89	225.32	148.55	143.07
	Times interest earned (Times)	—	—	—	—	—	82.67
Operating performance analysis	Accounts receivable turnover (times)	8.19	6.46	5.25	6.24	7.69	7.36
	Average collection period	44.57	56.50	69.50	58.49	47.46	49.59
	Inventory turnover (times)	5.04	5.04	3.76	5.01	4.46	4.00
	Accounts payable turnover (times)	8.73	8.14	6.08	5.44	3.41	2.63
	Average days in sales	72.42	67.21	97.07	72.85	81.83	91.25
	Property, plant and equipment turnover (times)	10.50	10.97	8.92	9.53	8. 08	8.31
	Total assets turnover (times)	0. 83	0.93	0. 76	0. 77	0.65	0. 68
Profitability analysis	Return on total assets (%)	6.14	4.33	4.06	3.87	3.95	5.12
	Return on stockholders' equity (%)	7.66	5.65	5.30	4.84	5.10	6.96
	Pre-tax income to paid-in capital (%)	21.82	11.80	11.11	11.45	11. 23	15.70
	Profit ratio (%)	7.41	4.65	5.37	5.03	6.09	7.49
	Earnings per share (NT$)	1.26	1.14	1.14	3.40	1. 06	1.40
Cash flow	Cash flow ratio (%)	42.54	10.41	10.41	112.31	18.86	27.47
	Cash flow adequacy ratio (%)	102.92	86.27	86.27	91.95	58.56	60.27
	Cash reinvestment ratio (%)	0.53	(7.85)	(7.85)	(7.85)	(58.66)	5.46
Leverage	Operating leverage	3.66	6.12	2.86	6. 71	15.45	5.79
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.01

Analysis of financial ratio differences for the most recent two years:

1. The decrease in the accounts payable turnover ratio: The decrease is due to the incomplete payment term of accounts payable and the higher balance at the end of the period.
2. Return on assets, return on equity, pre-tax net profit accounted for paid-up capital ratio, net profit rate and earnings per share increase: Mainly due to the growth of revenue in the current period and the increase in net profit.
3. The increase of, Cash flow adequacy ratio, Cash reinvestment ratio: mainly due to the net cash inflow of operating activities for the current period.
4. The decrease of Operating leverage: Mainly due to the growth of revenue of the period and the increase in operating profit

Note 1: Note: The reclassification in 2016 was due to disposing the relevant assets of security control products as non-operating unit in 2017.

Note 2: The 2020Q1 financial statements have been audited by CPA up to the date of the report printed.

Note 3: At the end of the annual report, the following formulas should be presented:

1. Financial structure
   (1) Liability to asset ratio = Total liability / Total asset
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Total equity + Non-current liability) / Net property, plant and equipment

2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets – Inventory - Pre-paid expense) / Current liabilities.
   (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance analysis
   (1) Accounts receivable turnover (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations)
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including bills payable resulting from accounts payable and business operations) = Cost of goods sold / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant and equipment turnover = Net sales / Net average value of PP&E
   (7) Total assets turnover = Net sales / Average total assets
4. Profitability analysis
   (1) Return on assets (ROA) = (Net income + Interest expenses * (1 - Effective tax rate)) / Average total assets
   (2) Return on equity (ROE) = Net income / Average shareholders' equity
   (3) Net profit before tax accounted for paid-in capital ratio = Net profit before tax / Paid-in capital
   (4) Net profit ratio = Profit or loss after tax / Net sales.
   (5) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
   (2) Cash flow adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3)Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net sales - Variable cost) / Income from operations
   (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

3. Audit Committee’s Review Report of the Latest Annual Financial Report

Audit Committee’s Review Report

The Board of Directors has prepared and submitted to us the Company’s 2019 Business Report, Consolidated and Individual Financial Statements, and proposal for earnings distribution. Financial Statements were audited by Ernst & Young and they issued an audited report accordingly. We, as the Audit Committee of the Company, have reviewed the Business Report, Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted to:
The Company’s 2020 Annual Shareholders’ Meeting

Chairperson of the Audit Committee: Ning-Hai, Chin

February 13, 2020

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

FARADAY TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS THEN ENDED
DECEMBER 31, 2019 AND 2018

Address: No. 5 Li-Hsin Road III, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.
Telephone: 886-3-578-7888

Notice to Readers

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 and for the year then ended prepared under the International Financial Reporting Standards No.10 “Consolidated and Separate Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

FARADAY TECHNOLOGY CORPORATION

Chairman: Chia-Tsung Hung

February 13, 2020

安永聯合會計師事務所

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Building a better working world

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2019 consolidated financial statements. 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.

Revenue Recognition

Net sales recognized by the Group amounted to NT$5,306,351 thousand for the year ended December 31, 2019, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT$3,055,045 thousand, NT$1,856,522 thousand and NT$394,784 thousand, constituting 57.57%, 34.99% and 7.44% of consolidated net sales, respectively. Revenue is the main operating activity of the Group. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Group's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (17) and Note 6 (13).

Inventories

As of December 31, 2019, the Group's net inventories amounted to NT$634,554 thousand, constituting 8.24% of consolidated total assets, which is significant for the Group. The production of application-specific integrated circuit (ASIC) products are outsourced by professional wafer foundry and assembly and testing house. ASIC inventories are stored in several vendors and the complexity of inventory management increases. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), understanding the internal control over inventory quantities, evaluating the management's stock taking plan, selecting samples to perform physical inventory observation considering the inventory balances by location and selecting samples to perform external confirmation procedures for the inventories which we did not observe, and agreed the items of physical inventory observations or confirmations to sub-ledger. We also assessed the adequacy of accounting policy and disclosures of inventories. Please refer to Note 4 (11) and Note 6 (5).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT$580,370 thousand and NT$578,153 thousand, constituting 7.54% and 8.48% of total consolidated assets as of December 31, 2019 and 2018, respectively, and total operating revenues of NT$1,134,139 thousand and NT$1,066,065 thousand, constituting 21.37% and 21.74% of consolidated operating revenues for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT$81,183 thousand and NT$85,490 thousand, representing 1.05% and 1.25% of consolidated total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT$(3,646) thousand and NT$(10,486) thousand, represented (0.87)% and (3.32)% of the consolidated net income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT$(661) thousand and NT$961 thousand, representing (0.41)% and (0.58)% of the consolidated other comprehensive income, for the years ended December 31, 2019 and 2018, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2019 and 2018.

/s/Chiu, Wan-Ju

/s/Kuo, Shao-Pin

Ernst & Young, Taiwan
February 13, 2020

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying consolidated financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2019 and December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of December 31, 2019	As of December 31, 2018	Liabilities and Equity	Note	As of December 31, 2019	As of December 31, 2018
Current assets				**Current liabilities**			
Cash and cash equivalents	4,6(1)	$ 2,776,055	$ 2,387,534	Contract liabilities, current	4,6(13)	$ 303,024	$ 300,408
Financial assets at fair value through profit or loss, current	4,6(2)	22,016	25,525	Notes payable		4	4
Contract assets, current	4,6(13),6(14)	517,367	367,258	Accounts payable		822,488	695,160
Notes receivable, net	6(14)	4,440	1,558	Accounts payable - related parties	7	258,432	114,097
Accounts receivable, net	4,6(4),6(14)	682,192	766,844	Payables on equipment		3,565	1,607
Accounts receivable from related parties, net	4,6(4),6(14),7	170,925	114,694	Other payables	6(10)	567,625	561,437
Other receivables, net		52,019	45,640	Current tax liabilities	4,5,6(19)	75,555	63,974
Inventories, net	4,6(5)	634,554	596,017	Lease liabilities-current	4,6(15),12	33,898	-
Other current assets	7	163,182	88,653	Other current liabilities		14,518	29,491
Total current assets		5,022,750	4,393,723	Total current liabilities		2,079,109	1,766,178
Non-current assets				**Non-current liabilities**			
Financial assets at fair value through profit or loss, noncurrent	4,6(2)	-	29,265	Deferred tax liabilities	4,5,6(19)	5,460	2,390
Financial assets at fair value through other comprehensive income, noncurrent	6,(3)	1,135,270	967,922	Lease liabilities-noncurrent	4,6(15),12	231,443	-
Financial assets measured at amortized cost, noncurrent	8	31,766	16,772	Long-term payables	6(10)	96,901	211,859
Investments accounted for using equity method	4,6(6)	81,183	85,490	Long-term deferred revenue		4,756	7,031
Property, plant and equipment	4,6(7)	576,808	575,858	Defined benefit liabilities, non-current	4,5,6(11)	21,619	15,900
Right-of-use assets	4,6(15)	254,498	-	Total non-current liabilities		360,179	237,180
Intangible assets	4,6(8),7	550,567	691,470	Total liabilities		2,439,288	2,003,358
Deferred tax assets	4,5,6(19)	41,764	47,344				
Refundable deposits		7,422	6,875	**Equity attributable to the parent company**			
Total non-current assets		2,679,278	2,420,996	Capital	6(12)		
				Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,895	626,596
				Retained earnings	6(12)		
				Legal reserve		1,473,678	1,596,485
				Special reserve		512,210	860
				Unappropriated earnings		377,139	599,145
				Other components of equity		(369,709)	(512,210)
				Equity attributable to the parent company	6(12)	5,203,716	4,796,379
				Non-controlling interests	6(12)	59,024	14,982
				Total equity		5,262,740	4,811,361
Total assets		$ 7,702,028	$ 6,814,719	**Total liabilities and equity**		$ 7,702,028	$ 6,814,719

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31, 2019	2018
Net sales	4,6(13),7	$ 5,306,351	$ 4,904,658
Operating costs	6(5),6(16),7	(2,506,809)	(2,299,781)
Gross profit		2,799,542	2,604,877
Operating expenses	6(8),6(16),7		
Selling expenses		(246,265)	(227,276)
Administrative expenses		(299,418)	(289,973)
Research and development expenses		(1,903,489)	(1,730,826)
Expected credit gains (loss)	6(14)	47,930	(73,794)
Total operating expenses		(2,401,242)	(2,321,869)
Operating income		398,300	283,008
Non-operating income and expenses			
Other income	6(17)	74,201	54,730
Other gains and losses	6(3),6(17)	(44,450)	(11,243)
Finance costs	6(17)	(7,550)	-
Share of profit or loss of associates and joint ventures accounted for using equity method	6(6)	(3,646)	(10,486)
Total non-operating income and expenses		18,555	33,001
Income from continuing operations before income tax		416,855	316,009
Income tax expense	4,5,6(19)	(80,610)	(54,858)
Net income from continuing operations		336,245	261,151
Other comprehensive income	4,5,6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(4,146)	(386)
Unrealized gain from equity investment measured at fair value through other comprehensive income		195,900	(179,689)
Income tax relating to items that will not be reclassified to profit or loss		829	462
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of a foreign operation		(32,424)	13,694
Share of the other comprehensive income of associates and joint ventures accounted for using equity method		(661)	961
Other comprehensive income (net of income tax)		159,498	(164,958)
Total comprehensive income		$ 495,743	$ 96,193
Net income attributable to:			
Stockholders of the parent	6(20)	$ 347,877	$ 263,228
Non-controlling interests	6(12)	(11,632)	(2,077)
		$ 336,245	$ 261,151
Comprehensive income (loss) attributable to:			
Stockholders of the parent		$ 507,878	$ 98,270
Non-controlling interests		(12,135)	(2,077)
		$ 495,743	$ 96,193
Earnings per share (NTD)	6(20)		
Earnings per share-basic		$ 1.40	$ 1.06
Earnings per share-diluted		$ 1.40	$ 1.05

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company										
			Retained Earnings								
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2018	$ 2,485,503	$ 598,879	$ 1,512,894	$ -	$ 933,774	$ (67,610)	$ -	$ 66,750	$ 5,530,190	$ -	5,530,190
Impact of retrospective application and restatement	-	-	-	-	134,275	-	(256,237)	(66,750)	(188,712)	-	(188,712)
Restated balance as of January 1, 2018	2,485,503	598,879	1,512,894	-	1,068,049	(67,610)	(256,237)	-	5,341,478	-	5,341,478
Appropriation and distribution of 2017 retained earnings											
Legal reserve	-	-	83,591	-	(83,591)	-	-	-	-	-	-
Special reserve	-	-	-	860	(860)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(671,086)	-	-	-	(671,086)	-	(671,086)
Net income in 2018	-	-	-	-	263,228	-	-	-	263,228	(2,077)	261,151
Other comprehensive income (loss) in 2018	-	-	-	-	76	14,655	(179,689)	-	(164,958)	-	(164,958)
Total comprehensive income (loss) in 2018	-	-	-	-	263,304	14,655	(179,689)	-	98,270	(2,077)	96,193
Change in subsidiaries' ownership	-	27,717	-	-	-	-	-	-	27,717	-	27,717
Non-controlling interests	-	-	-	-	-	-	-	-	-	17,059	17,059
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	23,329	-	(23,329)	-	-	-	-
Balance as of December 31, 2018	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ -	$ 4,796,379	$ 14,982	$ 4,811,361
Balance as of January 1, 2019	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ -	$ 4,796,379	$ 14,982	$ 4,811,361
Appropriation and distribution of 2018 retained earnings											
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	-	(198,840)	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	-	347,877	(11,632)	336,245
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	-	160,001	(503)	159,498
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	-	507,878	(12,135)	495,743
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	-	98,299	56,177	154,476
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-	-	-
Balance as of December 31, 2019	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ -	$ 5,203,716	$ 59,024	$ 5,262,740

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31, 2019	For the years ended December 31, 2018
Cash flows from operating activities:		
Net income before tax	$ 416,855	$ 316,009
Adjustments for non-cash gain or loss:		
Depreciation	95,102	49,615
Amortization	342,926	367,891
Expected credit (gain) loss	(47,930)	73,794
Loss (gain) on financial assets and liabilities at fair value through profit or loss	32,774	8,877
Interest expense	7,550	-
Interest income	(14,323)	(12,143)
Share-based payment expenses	4,012	7,744
Share of loss of associates and joint ventures accounted for using equity method	3,646	10,486
Loss on disposal of investments	-	7,251
Others	1,791	(18,779)
Changes in operating assets and liabilities:		
Contract assets	(150,109)	(367,258)
Notes receivable	(2,882)	3,512
Accounts receivable	132,582	(233,878)
Accounts receivable from related parties	(56,231)	(25,979)
Other receivables	(5,746)	21,698
Inventories	(38,537)	(161,854)
Other current assets	(71,679)	13,401
Contract liabilities	2,616	239,606
Notes payables	-	(96)
Accounts payable	127,328	236,355
Accounts payable - related parties	144,335	29,876
Other payables	1,963	(135,125)
Other current liabilities	(14,973)	(7,545)
Defined benefit liabilities	2,402	(2,862)
Other Operating liabilities	(2,275)	-
Cash generated from operations	911,197	420,596
Interest received	13,690	12,541
Interest paid	(7,550)	-
Income tax paid	(63,729)	(131,325)
Net cash provided by operating activities	$ 853,608	$ 301,812

Description	For the years ended December 31, 2019	For the years ended December 31, 2018
Cash flows from investing activities:		
Acquisition of financial asset measured at fair value through other comprehensive income	$ -	$ (30,000)
Disposal of financial asset measured at fair value through other comprehensive income	28,552	31,064
Acquisition of financial assets measured at amortized cost	(14,994)	-
Acquisition of financial asset measured at fair value through profit or loss	-	(58,465)
Disposal of financial asset measured at fair value through profit or loss	-	36,923
Proceeds from disposal of subsidiary	-	454
Acquisition of property, plant and equipment	(61,849)	(90,971)
Refundable deposits	(547)	(322)
Acquisition of intangible assets	(303,363)	(342,199)
Other investing activities	-	(76)
Net cash used in investing activities	(352,201)	(453,592)
Cash flows form financing activities:		
Cash payments for the principal portion of the lease liability	(28,661)	-
Cash dividends paid	(198,840)	(671,086)
Change in non-controlling interests (increase in subsidiary's capital by cash)	150,464	37,032
Net cash used in financing activities	(77,037)	(634,054)
Effect of exchange rate changes on cash and cash equivalents	(35,849)	13,646
Net increase (decrease) in cash and cash equivalents	388,521	(772,188)
Cash and cash equivalents at beginning of period	2,387,534	3,159,722
Cash and cash equivalents at end of period	$ 2,776,055	$ 2,387,534

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

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company’s shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the years ended December 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on February 13, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

A. IFRS 16“Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.

c. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset increased by NT$289,497 thousand, lease liability-current increased by NT$28,505 thousand, lease liability-non-current by NT$266,109 thousand, other current assets decreased by NT$500 thousand and other payables decreased by NT$5,617 thousand.

In accordance with the transition provision in IFRS 16, the Group's used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

i. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Relied on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elected to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Excluded initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4, Note 5 and Note 6(15) for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As of January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted-average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 2.899%.
ii. The explanation for the difference of NT$216,292 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$101,276
Discounted using the incremental borrowing rate on January 1, 2019	$78,322
Add: the carrying value of lease payables as of December 31, 2018	5,617
Less: prepaid rent as of December 31, 2018	(500)
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(429)
Add/(less): adjustments to the options to extend the lease that is reasonably certain to exercise	211,604
The carrying value of lease liabilities recognized as of January 1, 2019	$294,614

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

a. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

b. Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

c. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The above-mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods begging on or after January 1, 2020. The above-mentioned standards and interpretations have no material impact on the Group.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

(a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Company voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:
(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%) As of	
Investor	Subsidiary	Main businesses	December 31, 2019	December 31, 2018
The Company	Faraday Technology Corporation (USA)	Sales representative in America	100.00%	100.00%
The Company	Faraday Technology Japan Corporation	Sales representative in Japan	99.95%	99.95%
The Company	Faraday Technology－B.V. (Note 1)	Sales representative in Europe	-	-
The Company	Faraday Technology－B.V.I. (B.V.I.)	Trading and general investing	100.00%	100.00%
The Company	Faraday Technology Vietnam Company Limited (Note 2)	IC designing service	100.00%	-
The Company	Chih-Hung Investment Corporation (Chih-Hung)	General investing	100.00%	100.00%
The Company	Sheng Bang Investment Corporation (Sheng Bang)	General investing	100.00%	100.00%
Chih-Hung	Grain Media Inc.	IC designing, marketing and customer IC designing	19.42%	19.42%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

			Percentage of ownership (%) As of	
Investor	Subsidiary	Main businesses	December 31, 2019	December 31, 2018
Chih-Hung	Innopower Technology Corporation (Innopower)	Silicon Intellectual Property designing	100.00%	100.00%
Chih-Hung	FaradayTek Solutions India Private Limited (Note 3)	IC designing service	1.00%	-
Sheng Bang	Grain Media Inc.	IC designing, marketing and customer service	80.58%	80.58%
Sheng Bang	FaradayTek Solutions India Private Limited (Note 4)	IC designing service	99.00%	-
Innopower	Bright Capital Group Limited (BCGL)	General investing	100.00%	100.00%
BCGL	Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation －Mauritius (Mauritius)	General investing	100.00%	100.00%
B.V.I.	GrainTech Electronics Limited	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation (Samoa)	General investing	100.00%	100.00%
B.V.I.	Artery Technology Corporation(Cayman) (Note 5)	General investing	67.20%	81.13%
Samoa	United Business Service Corporation	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Faraday Technology China Corporation	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Grain Media Technology (Shenzhen) Co., Ltd.(Note 6)	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Company(Note 7)	IC designing, marketing and customer service	100.00%	-
United Business Service Corporation	United Creative Solution Corporation (Note 8)	IC designing, marketing and customer service	100.00%	-
United Business Service Corporation	Innopower Technology Corporation (Chongqing) (Note 9)	IC designing, marketing and customer service	100.00%	-

We did not audit the financial statements of certain subsidiaries, whose statements reflected total assets of NT$580,370 thousand and NT$578,153 thousand as of December 31, 2019 and December 31, 2018, respectively, and total operating revenues of NT$1,134,139 thousand and NT$1,066,065 thousand for the years ended December 31, 2019 and 2018, respectively, and total comprehensive income of NT$25,822 thousand and NT$42,704 thousand for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us and our opinions expressed herein are based solely on the audit reports of the other auditors.

Notes:

(1) Faraday Technology－B.V. has been liquidated and capital was remitted during the year ended December 31, 2018.

(2) Faraday Technology invested in the establishment of Faraday Technology Vietnam Company Limited in May 2019.

(3) Chih-Hung Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited in April 2019.

(4) Sheng Bang Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited in April 2019.

(5) Artery Technology Corporation (Cayman) had capital increases by cash during the years ended December 31, 2019 and 2018. The Group did not participate the capital increases and, accordingly, ownership percentage was reduced to 67.20% and 81.13%, respectively.

(6) Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation in February 2018. The liquidation procedures is still in progress as of the report date.

(7) Artery Technology Corporation (Cayman) invested in Artery Technology Company in July 2019 and acquired 100% ownership.

(8) United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

(9) United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:
(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of six months or less).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(1) the Group's business model for managing the financial assets and
(2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(2) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(2) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired

ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or

ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:
Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for using equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *"Impairment of Assets"*. In determining the value in use of the investment, the Group estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *"Impairment of Assets"* .

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, plant and equipment"*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(14) Leases

The accounting policy from January 1, 2019 is as follows:

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The accounting policy before January 1, 2019 is as follows:

Group as a lessee

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

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	2～3years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *"Impairment of Assets"* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Group outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Group is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Group's sale of goods is from 30 to 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Group has the obligation to transfer the goods subsequently. Accordingly, the Group recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Group provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Group are collected throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Group measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Group's intellectual property as it exist throughout the license period, the Group uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Group's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Group recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services to access or use the Group's intellectual property subsequently. Accordingly, the Group recognizes payments received in advance as contract liabilities.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

B. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and expected rate of salary increases. Please refer to Note 6 (11) for more details.

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile within the Group.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 (19) for disclosure on unrecognized deferred tax assets of the Group as of December 31, 2019.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2019	December 31, 2018
Cash		
Cash on hand	$420	$362
Checking and savings	1,368,841	914,894
Time deposits	1,346,794	1,472,278
Cash equivalents-Commercial paper with repurchase	60,000	-
Total	$2,776,055	$2,387,534

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

	As of	
	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$204	$330
Stocks	-	29,265
Funds	21,812	25,195
Total	$22,016	$54,790
Current	$22,016	$25,525
Non-Current	-	29,265
Total	$22,016	$54,790

Financial assets at fair value through profit or loss were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of	
	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	$-	$19,031
Unlisted companies stocks	1,135,270	948,891
Total	$1,135,270	$967,922

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividends income in the amount of NT$7,717 thousand for the year ended December 31, 2018, which were all related to investments held at the end of the reporting period.

In consideration of the Group's investment strategy, the Group disposed the listed stock of Andes Technology Corporation during the years ended December 31, 2019 and 2018, which were reported under equity instrument investments measured at fair value through other comprehensive income. Upon derecognition, the fair value of the investments was NT$28,552 thousand and NT$55,929 thousand, respectively, and the cumulative disposal gain of NT$20,817 thousand and NT$23,329 thousand, respectively, was reclassified from other components of equity to retained earnings.

(4) Accounts receivable, net and accounts receivable from related parties, net

	As of	
	December 31, 2019	December 31, 2018
Accounts receivable	$763,625	$905,346
Subtotal (gross carrying amount)	763,625	905,346
Less：Allowance for doubtful accounts	(81,433)	(138,502)
Subtotal	682,192	766,844
Accounts receivable from related parties, net	170,925	114,694
Subtotal (gross carrying amount)	170,925	114,694
Total	$853,117	$881,538

Accounts receivable were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivable are generally on 30- 60 day terms from the date of monthly closing. The Company's carrying amount of accounts receivable was amounted to NT$934,550 thousand, and NT$1,020,040 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6(14) for more details on impairment of account receivable, and Note 12 for more details on credit risk.

(5) Inventories

	As of	
	December 31, 2019	December 31, 2018
Work in process	$163,460	$153,158
Finished goods	471,094	442,859
Total	$634,554	$596,017

The cost of inventories recognized in expenses amounted to NT$2,506,809 thousand and NT$2,299,781 thousand for the years ended December 31, 2019 and 2018, respectively, including the loss of NT$8,952 thousand and loss on scrap of inventories of NT$7,564 thousand, and gain of NT$7,167 thousand and loss on scrap of inventories of NT$18,930 thousand for the years ended December 31, 2019 and 2018, respectively. The gain from reversal of allowance for decline in market value and obsolescence was recognized due to the sales of the Company's previously written-down inventories during the year of 2018.

No inventories were pledged.

(6) Investments accounted for using equity method

	As of			
	December 31, 2019		December 31, 2018	
Investee company	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Associate：				
Fresco Logic Inc.	$81,183	22.61%	$85,490	22.61%

The Group's investment in Fresco Logic Inc. was not individually material. The aggregate carrying amount of the Group's interest in Fresco Logic Inc. is NT$81,183 thousand and NT$85,490 thousand as of December 31, 2019 and 2018, respectively, based on the audit reports of the other auditors. The aggregated financial information based on Group's share of Fresco Logic Inc. is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net loss from continuing operations	$(3,646)	$(10,486)
Other comprehensive income (post-tax)	(115)	-
Total comprehensive income	$(3,761)	$(10,486)

There were no contingent liabilities or capital commitments for the above-mentioned associate, and the investment was not pledged as of December 31, 2019 and 2018.

(7) Property, plant and equipment

	As of December 31, 2019	As of December 31, 2018
Property, plant and equipment for own use	$576,808	(Note)

Note: The Group adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Property, plant and equipment for own-use (after the application of IFRS 16)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2019	$33,576	$603,753	$41,243	$143,208	$25,134	$857	$847,771
Additions	-	595	3,768	57,350	1,314	780	63,807
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(382)	-	(319)	(649)	(22)	(1,372)
As of December 31,2019	$33,576	$577,055	$40,858	$177,244	$24,179	$1,615	$854,527
Depreciation and impairment:							
As of January 1, 2019	$-	$183,215	$11,401	$59,341	$17,353	$603	$271,913
Additions	-	14,622	6,939	38,009	2,695	120	62,385
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(151)	-	(262)	(471)	(16)	(900)
As of December 31, 2019	$-	$170,775	$14,187	$74,093	$17,957	$707	$277,719
Net carrying amount as of:							
As of December 31,2019	$33,576	$406,280	$26,671	$103,151	$6,222	$908	$576,808

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Construction in process	Total
Cost:								
As of January 1, 2018	$33,576	$592,818	$21,452	$114,118	$23,549	$868	$9,092	$795,473
Additions	-	760	23,055	63,225	3,452	57	1,612	92,161
Disposals	-	(480)	(3,264)	(34,194)	(1,787)	(95)	-	(39,820)
Transfers	-	10,754	-	-	-	-	(10,754)	-
Disposal of subsidiary	-	-	-	(114)	(144)	-	-	(258)
Exchange effect	-	(99)	-	173	64	27	50	215
As of December 31,2018	$33,576	$603,753	$41,243	$143,208	$25,134	$857	$-	$847,771
Depreciation and impairment:								
As of January 1, 2018	$-	$167,749	$9,955	$67,587	$16,040	$571	$-	$261,902
Additions	-	15,786	4,710	25,858	3,153	108	-	49,615
Disposals	-	(480)	(3,264)	(34,194)	(1,787)	(95)	-	(39,820)
Disposal of subsidiary	-	-	-	(106)	(144)	-	-	(250)
Exchange effect	-	160	-	196	91	19	-	466
As of December 31, 2018	$-	$183,215	$11,401	$59,341	$17,353	$603	$-	$271,913
Net carrying amount as of:								
As of December 31,2018	$33,576	$420,538	$29,842	$83,867	$7,781	$254	$-	$575,858

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Intangible assets

	Software	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Cost		
Beginning balance	$1,065,829	$1,193,296
Addition－acquired separately	198,247	632,537
Decrease－derecognition	(122,511)	(753,439)
Exchange differences	1,784	(6,565)
Ending balance	$1,143,349	$1,065,829
Accumulated Amortization		
Beginning balance	$374,359	$758,480
Amortization	342,926	367,891
Decrease－derecognition	(122,511)	(753,439)
Exchange differences	(1,992)	1,427
Ending balance	$592,782	$374,359
Net carrying amount as of:		
December 31, 2019	$550,567	
December 31, 2018	$691,470	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Administrative expenses	$95	$93
Research and development expenses	342,831	367,798
Total	$342,926	$367,891

(9) Short-term loans

The Group's credit limit from short-term loans was NT$1,350,750 thousand and NT$907,200 thousand as of December 31, 2019 and 2018, respectively, and all of which was unused.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Long-term payables

The payables were primarily attributable to several agreements which the Group entered into for certain software license. As of December 31, 2019 and 2018, payments for future years are as follows：

	As of	
Year of payment	December 31, 2019	December 31, 2018
2019	$-	$145,704
2020	111,886	143,968
2021	70,687	67,891
2022	26,214	-
Subtotal	208,787	357,563
Less: Current portion (recognized as other payables)	(111,886)	(145,704)
Total	$96,901	$211,859

(11) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China would contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$48,525 thousand and NT$41,847 thousand, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$4,034 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The average duration of the defined benefits plan obligation as of December 31, 2019 and 2018, are 14 years and 15 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2019	2018
Current period service costs	$5,654	$310
Net interest expense	58	235
Total	$5,712	$545

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Defined benefit obligation	$143,847	$128,922	$123,734
Plan assets at fair value	(122,228)	(113,022)	(104,896)
Non-current liabilities -Defined benefit liabilities recognized on the consolidated balance sheets	$21,619	$15,900	$18,838

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2018	123,734	(104,896)	18,838
Current period service costs	310	-	310
Net interest expense (income)	1,516	(1,281)	235
Subtotal	125,560	(106,177)	19,383
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,065)	-	(1,065)
Experience adjustments	4,427	-	4,427
Remeasurements of defined benefit asset	-	(2,976)	(2,976)
Subtotal	3,362	(2,976)	386
Contributions by employer	-	(3,869)	(3,869)
As of December 31, 2018	128,922	(113,022)	15,900
Current period service costs	5,654	-	5,654
Net interest expense (income)	1,300	(1,242)	58
Subtotal	135,876	(114,264)	21,612
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	6,335	-	6,335
Experience adjustments	1,636	-	1,636
Remeasurements of defined benefit asset	-	(3,825)	(3,825)
Subtotal	7,971	(3,825)	4,146
Contributions by employer	-	(4,139)	(4,139)
As of December 31, 2019	$143,847	$(122,228)	$21,619

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2019	December 31, 2018
Discount rate	0.7234%	1.0085%
Expected rate of salary increases	2.75%	2.75%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$9,724	$-	$8,878
Discount rate decrease by 0.5%	10,637	-	9,714	-
Expected rate of salary increase by 0.5%	10,244	-	9,381	-
Expected rate of salary decrease by 0.5%	-	9,475	-	8,671

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Capital stock

The Company's authorized capital was NT$5,000,000 thousand, divided into 500,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options) as of December 31, 2019 and 2018, each at a par value of NT$10. Following the resolution of the shareholders' meeting on June 12, 2012, the Company decided to increase its authorized common shares to NT$6,000,000 thousand, divided into 600,000 thousand shares. As of December 31, 2019, related registration processes have not been completed.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's issued capital was NT$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2019 and 2018. Each share has one voting right and a right to receive dividends.

B. Additional paid-in capital

	As of	
	December 31, 2019	December 31, 2018
Premiums in excess of par	$594,782	$594,782
Change in subsidiaries' ownership	126,016	27,717
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,531	1,531
Employee stock option and others	2,566	2,566
Total	$724,895	$626,596

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Reserve for tax payments;
b. Offset accumulated losses in previous years, if any;
c. Legal reserve, which is 10% of leftover profits.
d. Allocation or reverse of special reserves as required by law or government authorities;
e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012, which set out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year", provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Order had no influence on the Company.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the shareholders' meeting on June 13, 2019 and June 15, 2018, respectively, are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$26,323	$83,591	$-	$-
Increase in special reserve	511,350	860	-	-
Common stock-cash dividend	49,710	671,086	$0.2	$2.7

Legal reserve distribution to dividends per share NT$0.6 and dividend per share NT$0.2 were resolved by the shareholders' meeting on June 13, 2019. Total dividend per share was NT$0.8.

Please refer to Note 6(16) for more details on employees' compensations and the remunerations to directors and supervisors.

D. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$14,982	$-
Loss attributable to non-controlling interests	(11,632)	(2,077)
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	(503)	-
Change in subsidiaries' ownership	56,177	17,059
Ending balance	$59,024	$14,982

(13) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Sale of goods	$3,055,045	$2,831,260
Rendering of services	1,856,522	1,704,466
Silicon intellectual property license	394,784	368,932
Total	$5,306,351	$4,904,658

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended December 31,	
Revenue recognition point:	2019	2018
At a point in time	$3,390,800	$3,143,374
Over time	1,915,551	1,761,284
Total	$5,306,351	$4,904,658

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Rendering of services	$517,367	$367,258	$16,159

The significant changes in the Group's balances of contract assets for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to accounts receivable	$177,320	$13,441
Change in the progress of completion	336,568	364,540
Impairment	(9,139)	-

B. Contract liabilities – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	$161,139	$109,141	$43,084
Rendering of services	141,623	191,023	17,626
Silicon intellectual property license	262	244	92
Total	$303,024	$300,408	$60,802

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended December 31,	
	2019	2018
The opening balance transferred to revenue	$127,861	$58,871
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	130,477	298,477

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license are NT$1,188,444 thousand. The Group will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

None.

(14) Expected credit (gain) losses

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit (gain) losses		
Contract Asset	$9,139	$-
Account receivables	(57,069)	73,794
Total	$(47,930)	$73,794

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessments of the Group’s loss allowance as of December 31, 2019 and 2018 are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	For the years ended December 31,	
	2019	2018
Gross carrying amount	$526,506	$367,258
Expected credit loss rates	0%~100%	0%
Loss allowance	(9,139)	-
Total	$517,367	$367,258

ii. the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

2019.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$670,597	$90,541	$60,573	$35,817	$6,894	$74,568	$938,990
Expected credit loss rates	-%	-%	0%~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	1,225	2,079	3,561	74,568	81,433
Subtotal	$670,597	$90,541	$59,348	$33,738	$3,333	$-	$857,557

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2018.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$540,501	$79,242	$139,348	$68,868	$96,555	$97,084	$1,021,598
Expected credit loss rates	-%	-%	0%~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	2,788	5,039	48,277	82,398	138,502
Subtotal	$540,501	$79,242	$136,560	$63,829	$48,278	$14,686	$883,096

Note: All of the Group's note receivables are not yet due.

The movements in the provision for impairment of account receivables during the years ended December 31, 2019 and 2018 are as follows:

	Contract Assets	Account receivables
As of January 1, 2019	$-	$138,502
Increase (reversal) for the current period	9,139	(57,069)
As of December 31, 2019	$9,139	$81,433
As of January 1, 2018 (in accordance with IAS 39)	$-	$64,708
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	64,708
Addition for the current period	-	73,794
As of December 31, 2018	$-	$138,502

(15) leases

A. The Group as lessee (applicable to IFRS 16)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group leases various properties, including real estate (land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2019	December 31, 2018
Land	$196,848	(Note)
Buildings and facilities	55,669	
Transportation equipment	1,749	
Office equipment	232	
Total	$254,498	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Lease liability

	As of	
	December 31, 2019	December 31, 2018
Lease liability	$265,341	(Note)
Lease liability-current	$33,898	
Lease liability-noncurrent	231,443	
Total	$265,341	

Please refer to Note 6 (17) for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12 (5) for the maturity analysis for lease liabilities.

Note: The Group adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018
Land	$5,320	(Note)
Buildings and facilities	26,120	
Transportation equipment	1,166	
Office equipment	111	
Total	$32,717	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31	
	2019	2018 (Note)
The expense relating to short-term leases	$1,644	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflow for leases amounted to NT$36,123 thousand.

e. Other information relating to leasing activities

Extension option

Some of the Group's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the

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Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. Operating lease commitments - The Group as lessee (applicable to IAS 17)

The Group has entered into commercial leases on land and office. Future minimum rentals payable as of December 31, 2018 is as follows:

	As of December 31, 2018
Not later than one year	$34,192
Later than one year and not later than five years	64,236
Later than five years	2,848
Total	$101,276

Operating lease expenses recognized is as follows:

	For the year ended December 31, 2018
Minimum lease payment	$34,253

(16) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$51,981	$1,397,734	$1,449,715	$42,141	$1,209,909	$1,252,050
Labor and health insurance	4,525	107,851	112,376	3,037	98,463	101,500
Pension	2,335	51,902	54,237	1,880	40,512	42,392
Others	1,027	22,752	23,779	973	22,077	23,050
Depreciation	994	94,108	95,102	638	48,977	49,615
Amortization	3,174	339,752	342,926	-	367,891	367,891

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According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$51,662 thousand and NT$216 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$51,662 thousand and NT$216 thousand for the year ended December 31, 2019.

Actual employees' compensation and renumeration to directions for the year ended December 31, 2018 was NT$39,345 thousand and NT$250 thousand respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2018.

(17) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$14,323	$12,143
Dividend income	-	7,717
Others	59,878	34,870
Total	$74,201	$54,730

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B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Losses on disposal of investments	$-	$(7,251)
Foreign exchange gains	1,985	16,341
Losses on financial assets at fair value through profit or loss	(32,774)	(9,292)
Others	(13,661)	(11,041)
Total	$(44,450)	$(11,243)

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense on lease liabilities	$7,462	(Note)
Others	88	
Total	$7,550	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(18) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(4,146)	$-	$(4,146)	$829	$(3,317)
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	195,900	-	195,900	-	195,900
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(32,424)	-	(32,424)	-	(32,424)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(661)	-	(661)	-	(661)
Total of other comprehensive income	$158,669	$-	$158,669	$829	$159,498

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For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(386)	$-	$(386)	$462	$76
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	(179,689)	-	(179,689)	-	(179,689)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	13,694	-	13,694	-	13,694
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	961	-	961	-	961
Total of other comprehensive income	$(165,420)	$-	$(165,420)	$462	$(164,958)

(19) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, starting from the year ended December 31, 2018, the Company’s applicable corporate income tax rate changed from 17% to 20%. The corporate income surtax on undistributed retained earnings changed from 10% to 5%.

The major components of income tax expense are as follows:

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Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2019	2018
Current income tax expense:		
Current income tax payable	$74,353	$89,732
Adjustments in respect of current income tax of prior periods	(4,595)	(15,460)
Deferred tax expense (income):		
Deferred income tax income related to origination and reversal of temporary differences	9,479	(12,377)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(4,773)
Others	1,373	(2,264)
Total income tax expense	$80,610	$54,858

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2019	2018
Deferred tax (income) expense:		
Remeasurements of defined benefit plans	$(829)	$(462)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2019	2018
Accounting profit before tax from continuing operations	$416,855	$316,009
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	$108,625	$91,756
Tax effect of revenues exempted from taxation	(2,326)	(7,215)
Tax effect of deferred tax assets/liabilities	(15,096)	(29,608)
10% surtax on undistributed retained earnings	-	9,017
Adjustments in respect of current income tax of prior periods	(4,595)	(15,460)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(4,773)
Tax effect of withholding tax under other tax jurisdiction	10,109	11,591
Tax credits	(14,053)	-
Others	(2,054)	(450)
Total income tax expense recognized in profit or loss	$80,610	$54,858

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2019
Temporary differences					
Unrealized exchange loss	$683	$2,149	$-	$-	$2,832
Unrealized exchange gain	(2,324)	(3,095)	-	-	(5,419)
Unrealized loss from sales	100	22	-	-	122
Unrealized allowance for inventory valuation and obsolescence losses	9,093	737	-	-	9,830
Revaluations of financial assets (liabilities) at fair value through profit or loss	(66)	25	-	-	(41)
Defined benefit liabilities, non-current	3,180	315	829	-	4,324
Unrealized bad debt expense	25,705	(11,188)	-	-	14,517
Depreciation difference for tax purposes	625	267	-	-	892
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	5	1,289	-	-	1,294
Deferred tax expense		$(9,479)	$829	$-	
Net deferred tax assets/(liabilities)	$44,954				$36,304
Reflected in balance sheet as follows:					
Deferred tax assets	$47,344				$41,764
Deferred tax liabilities	$(2,390)				$(5,460)

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For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2018
Temporary differences					
Unrealized exchange loss	$1,568	$(885)	$-	$-	$683
Unrealized exchange gain	(448)	(1,876)	-	-	(2,324)
Unrealized loss from sales	-	100	-	-	100
Unrealized allowance for inventory valuation and obsolescence losses	8,947	146	-	-	9,093
Revaluations of financial assets (liabilities) at fair value through profit or loss	(827)	761	-	-	(66)
Defined benefit liabilities , non-current	3,202	(484)	462	-	3,180
Accrued employee benefits	(351)	351	-	-	-
Unrealized bad debt expense	9,621	16,084	-	-	25,705
Depreciation difference for tax purposes	1,316	(691)	-	-	625
Impairment loss on financial assets	4,983	2,970	-	-	7,953
Others	(669)	674	-	-	5
Deferred tax expense		$17,150	$462	$-	
Net deferred tax assets/(liabilities)	$27,342				$44,954
Reflected in balance sheet as follows:					
Deferred tax assets	$29,637				$47,344
Deferred tax liabilities	$(2,295)				$(2,390)

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The following table contains information of the unused tax losses of the Group:

		Unutilized accumulated loss as of		Expiration
Year	Accumulated loss	December 31, 2019	December 31, 2018	Year
2009	$47,935	$27,238	$27,238	2019
2010	3,140	1,558	1,558	2020
2011	50,902	36,236	36,236	2021
2012	5,752	5,752	5,752	2022
2013	8,763	8,763	8,763	2023
2015	66,089	66,089	66,089	2025
2016	11,777	11,537	11,537	2026
2017	19,544	19,544	19,544	2027
2018	14,435	14,435	-	2028
		$191,152	$176,717	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018 deferred tax assets that were not recognized amounted to NT$207,787 thousand and NT$212,441 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$53,702 thousand and NT$32,808 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017
Chih Hung Investment Co.	Assessed and approved up to 2017
Sheng Bang Investment Co.	Assessed and approved up to 2017
Grain Media Inc.	Assessed and approved up to 2017
Innopower Technology Corporation	Assessed and approved up to 2017
Artery Technology Company	Assessed and approved up to 2017

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2019	2018
(a) Basic earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT$)	$347,877	$263,228
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share (NT$)	$1.40	$1.06
(b) Diluted earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT$)	$347,877	$263,228
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	493	1,473
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	249,043	250,023
Diluted earnings per share (NT$)	$1.40	$1.05

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(21) Deconsolidation of subsidiary

Faraday Technology Corporation—B.V. filed for liquidation through the decision at their shareholders' meeting in 2018. The Group received the capital remittance in the year ended December 31, 2018, and derecognized the related assets and liabilities of the entity.

(1) The amount of assets and liabilities of Faraday Technology Corporation—B.V. over which the Company lost control are as follow：

	As of September 30, 2018
Assets:	
Cash and cash equivalents	$22,896
Account receivables-related parties	350
Other receivables	46
Other current assets	257
Property, plant and equipment	8
Total	23,557
Liabilities	-
Net assets of the subsidiary deconsolidated	$23,557

(2) Consideration received and gain recognized from the transaction：

	For the year ended December 31, 2018
Cash received	$23,350
Net assets of the subsidiary deconsolidated	(23,557)
Effect of exchange rate change	(7,044)
Loss on disposal	$(7,251)

Loss on disposal was included in other gains and losses in statements of comprehensive income for the year ended December 31, 2018.

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(3) Analysis of net cash flow arising from deconsolidation of the subsidiary：

	For the year ended December 31, 2018
Cash received	$23,350
Net cash of subsidiary derecognized	(22,896)
Net cash flow from deconsolidation	$454

7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting years is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc.	Associates
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties

(1) Sales

	For the years ended December 31	
	2019	2018
United Microelectronics Corporation	$589,636	$444,113
Associates	54,925	79,375
Other related parties	30,381	34,002
Total	$674,942	$557,490

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The Group's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2019	2018
United Microelectronics Corporation	$1,049,653	$843,269
HeJian Technology (Suzhou) Co., Ltd.,	563,659	292,238
Other related parties	112,281	121,782
Total	$1,725,593	$1,257,289

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Research expense

	For the years ended December 31	
	2019	2018
United Microelectronics Corporation	$22,391	$-

(4) Accounts receivable from related parties, net

	As of	
	December 31, 2019	December 31, 2018
United Microelectronics Corporation	$158,865	$93,292
Fresco Logic Inc.	12,060	21,402
Total	$170,925	$114,694

(5) Other current assets

	As of	
	December 31, 2019	December 31, 2018
Entity with joint control or significant influence over the Company	$166	$-
Other related parties	304	314
Total	$470	$314

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(6) Intangible assets

	For the years ended December 31	
	2019	2018
Entity with joint control or significant influence over the Company	$1,186	$-

(7) Accounts payable to related parties, net

	As of	
	December 31, 2019	December 31, 2018
United Microelectronics Corporation	$86,381	$69,177
HeJian Technology (Suzhou) Co., Ltd.,	122,277	38,484
United Semiconductor (Xiamen) Co., Ltd.	49,569	3,702
Other related parties	205	2,734
Total	$258,432	$114,097

(8) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits	$93,507	$88,253
Post-employment benefits	1,290	1,288
Total	$94,797	$89,541

8. Assets Pledged As Collateral

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

	Carrying amount		
Assets pledged for security	2019.12.31	2018.12.31	Secured liabilities
Financial assets measured at amortized cost	$30,265	$15,236	Custom clearance deposit
Financial assets measured at amortized cost	1,501	1,536	Office rental deposit
	$31,766	$16,772	

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9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of,	
	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	$22,016	$54,790
Financial assets at fair value through other comprehensive income	1,135,270	967,922
Financial assets measured at amortized cost (Note 1)	3,724,399	3,339,555
Total	$4,881,685	$4,362,267

Financial liabilities

	As of	
	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Payables (including related parties)	$1,084,489	$810,868
Other payables	567,625	561,437
Long-term payables	96,901	211,859
Lease liabilities	265,341	(Note 2)
Total	$2,014,356	$1,584,164

Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

Note 2: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk exposures.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2019 and 2018 would decrease / increase by NT$15,254 thousand and NT$116,528 thousand, respectively.

When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2019 and 2018 would decrease / increase by NT$100,512 thousand and NT$68,697 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Group's listed and unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's listed equity securities, unlisted equity securities and other investment are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's top management for reviews and approvals on a regular basis.

For the years ended December 31, 2019 and 2018, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$0 thousand and NT$190 thousand, respectively, on the equity attributable to the Group.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, accounts receivable from top ten customers represented 48% and 58% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

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The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

				Carrying amount	
				As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2019	December 31, 2018
Simplified method (Note)	(Note)	Lifetime expected credit losses	0%~100%	$1,465,496	$1,388,856

Note: The Group adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract asset, notes receivables and account receivables.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Payables (including related parties)	$1,084,489	$-	$-	$-	$1,084,489
Other payables	567,625	-	-	-	567,625
Long-term payables	-	96,901	-	-	96,901
Lease Liability	39,576	44,190	25,403	254,544	363,713
As of December 31, 2018					
Payables (including related parties)	$810,868	$-	$-	$-	$810,868
Other payables	561,437	-	-	-	561,437
Long-term payables	-	211,859	-	-	211,859

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Inflows	$108,183	$-	$-	$-	$108,183
Outflows	(107,979)	-	-	-	(107,979)
Net	$204	$-	$-	$-	$204
As of December 31, 2018					
Inflows	$330	$-	$-	$-	$330
Outflows	-	-	-	-	-
Net	$330	$-	$-	$-	$330

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2019:

	Lease Liability
As of January 1, 2019	$294,614
Cash flows	(28,661)
Foreign exchange movement	(1,519)
Revision of lease contracts	907
As of December 31, 2019	$265,341

Reconciliation of liabilities for year ended December 31, 2018:

None.

(7) Fair values of financial instruments

a. the methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivables, other receivables, payables and other payables approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.

iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.

iv. The long-term payables are determined by discounted cash flow analysis. The Group estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.

v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2019 and 2018 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2019.12.23 to 2020.01.09
Forward currency contract	Sell foreign currency RMB 25,000 thousand	From 2019.12.25 to 2020.01.17
As of December 31, 2018		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2018.12.19 to 2019.01.09

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2019：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$204	$-	$204
Funds	-	-	21,812	21,812
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	1,135,270	1,135,270

As of December 31, 2018：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$330	$-	$330
Stocks	-	-	29,265	29,265
Funds	-	-	25,195	25,195
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	19,031	-	948,891	967,922

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2019	$29,265	$25,195	$948,891	$1,003,351
Total gains and losses recognized for the year ended December 31, 2019:				
Amount recognized in profit or loss ("other profit or loss")	(29,265)	(3,383)	-	(32,648)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	186,379	186,379
Ending balances as of December 31, 2019	$-	$21,812	$1,135,270	$1,157,082

	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2018	$-	$-	$1,066,406	$1,066,406
Total gains and losses recognized for the year ended December 31, 2018:				
Amount recognized in profit or loss ("other profit or loss")	-	(4,005)	-	(4,005)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	(147,515)	(147,515)
Acquisition/new issuance for the year ended December 31, 2018	29,265	29,200	30,000	88,465
Ending balances as of December 31, 2018	$29,265	$25,195	$948,891	$1,003,351

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Recognized as profit (loss) above, the loss from financial assets still held by the Group as of December 31, 2019 and 2018 was NT$32,648 thousand and NT$4,005 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$2,393 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	17%~25%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,586 thousand
Stocks and others	Asset approach	Discount for lack of marketability and	10%	The higher the discount for lack of marketability,	10% increase (decrease) in the discount for lack of

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
		non-controlling interest		the lower the fair value of the stocks	marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT$97,317 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	19%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$12,231 thousand

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$2,869 thousand

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Preferred Stocks	Option pricing model	Discount for lack of marketability	11%~18%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,290 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT$79,351 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	21%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$8,380 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

December 31, 2019

None.

December 31, 2018

None.

(10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$36,071	30.03	$1,083,220
RMB	242,683	4.321	1,048,635
Non-monetary items:			
USD	899	30.03	26,983
Financial liabilities			
Monetary items:			
USD	30,992	30.03	930,676
RMB	10,070	4.321	43,513

	As of December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$42,033	30.72	$1,291,268
RMB	155,457	4.472	695,203
Non-monetary items:			
USD	1,019	30.72	31,296

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial liabilities			
Monetary items:			
USD	4,101	30.72	125,990
RMB	1,840	4.472	8,229

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies within the Group, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain was NT$1,985 thousand and NT$16,341 thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Group for the year ended December 31, 2019:

(a) Financing provided to others for the year ended December 31, 2019: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2019: None.

(c) Securities held as of December 31, 2019: Please refer to Attachment 1.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 2.

(h) Receivables from related parties with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 3.

(i) Financial instruments and derivative transactions: Please refer to Note 12.

(j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Group: Please refer to Attachment 5.

(3) Information on investments in Mainland China

(a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.

(b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2019:

i. Purchases amount and percentage, and related ending balance and percentage of payables: None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.

iii. Property transaction amount and occurred gain (loss): None.

iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.

v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.

vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

14. Segment information

(1) General Information

The products of the Company and its subsidiaries are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

(2) Geographical information

a. Revenue from external customers

	For the years ended December 31	
	2019	2018
China	$2,215,654	$2,029,602
Taiwan	1,429,839	1,132,205
Japan	792,039	753,184
United States	370,712	609,882
Others	498,107	379,785
Total	$5,306,351	$4,904,658

The revenue information above is based on the location of the customer.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Non-current assets

	For the years ended December 31	
	2019	2018
Taiwan	$1,080,298	$1,239,517
Others	47,077	27,811
Total	$1,127,375	$1,267,328

c. Major customers information

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	2018
Customer A	$602,888	$148,169

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2019) (Excluding subsidiaries and associates)

Faraday Technology Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	92,496,000	$826,854	12.12%	$826,854	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	68,856	5.00%	68,856	-

Chih-Hung Investment Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Preferred stock Common Stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, noncurrent	14,600,000 1,714,285	$-	12.60%	$-	-
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, noncurrent	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	23,931	9.53%	23,931	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, noncurrent	1,200,000	15,856	9.95%	15,856	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, noncurrent	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, noncurrent	1,818	122,313	9.74%	122,313	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	53,583	15.00%	53,583	-

Sheng Bang Investment Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, noncurrent	10,000	$21,812	-	$21,812	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	12,538	19.67%	12,538	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, noncurrent	-	11,339	8.50%	11,339	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2019)

Faraday Technology Corporation

		Transactions					Notes and accounts receivable (payable)		Note
Counter-party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	$1,048,948	53.46%	Month-end 60 days	-	$78,655	7.28%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	588,512	11.09%	Month-end 60 days	-	158,554	18.49%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	554,695	28.27%	Month-end 60 days	-	122,613	11.34%	-

ATTACHMENT 3 (Related party transactions for receivables of NT$100 million or 20 percent of capital stock for the year ended December 31, 2019)

Faraday Technology Corporation

				Overdue			
Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Amount	Action Taken	Amount Received in Subsequent Period	Allowance for Doubtful Debts
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	$158,554	4.68	$-	$-	$103,074	$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.
Note 2: The capital stock is the parent's capital stock.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Term	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	$413,032	Note 4	7.78%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expense	52,077	According to the contract	0.98%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	35,855	Month-end 60 days	0.47%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payables	6,345	Month-end 60 days	0.08%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	581,418	Note 4	10.96%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	83,015	Month-end 60 days	1.08%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	6,230	Note 5	0.12%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Accounts receivable	1,604	Month-end 60 days	0.02%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Sales	172,738	Note 5	3.26%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Accounts receivable	34,044	Month-end 60 days	0.44%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Other receivables	30,649	Month-end 60 days	0.40%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	63,772	Note 5	1.20%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	29,328	Month-end 60 days	0.38%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Other receivables	15,777	Month-end 60 days	0.20%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	700,381	Note 5	13.20%

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	272,676	According to the contract	3.54%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	113	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	72,899	Month-end 60 days	0.95%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	27,347	Month-end 60 days	0.75%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payable	133	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Sales	30,278	Note 5	0.57%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Contract Assets	10,189	According to the contract	0.13%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payable	5	Month-end 60 days	-
0	Faraday Technology Corporation	United Business Service Corporation	1	Sales	28,728	Note 5	0.54%
0	Faraday Technology Corporation	United Business Service Corporation	1	Accounts receivable	27,027	Month-end 60 days	0.35%
0	Faraday Technology Corporation	Grain Media Inc.	1	Rent Revenue	114	According to the contract	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Other payable	136	Month-end 60 days	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expense	4,583	According to the contract	0.09%
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	1,018	Note 5	0.02%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expense	4,450	According to the contract	0.08%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	18	Month-end 60 days	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Artery Technology Company	1	Other receivables	42	Month-end 60 days	-
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	130,218	Note 5	2.45%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Accounts receivable	77,963	Month-end 60 days	1.01%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Contract liabilities	5,365	According to the contract	0.07%
1	Faraday Technology Corporation (Suzhou)	FaradayTek Solutions India Private Limited	3	Research expense	12,620	According to the contract	0.24%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology Vietnam Company Limited	3	Research expense	5,961	According to the contract	0.11%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	20,766	Note 5	0.39%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Accounts receivable	5,546	Month-end 60 days	0.07%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	49,903	Note 5	0.94%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Accounts receivable	52,397	Month-end 60 days	0.68%

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.
For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

Faraday Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2019	Initial Investment: December 31, 2018	Investment as of December 31, 2019: Number of shares	Investment as of December 31, 2019: Percentage of ownership (%)	Investment as of December 31, 2019: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation (USA)	USA	Sales representive in America	$436,907	$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	$426,414	$4,130	$5,373
Faraday Technology - B.V.I	British Virgin Islands	Trading and general investing	706,792	706,792	Common stock 22,140 thousand shares	100.00%	365,263	(7,025)	(5,868)
Faraday Technology Japan Corporation	Japan Tokyo	Sales representive in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	82,067	20,600	20,600
Chih-Hung Investment Corporation	Taiwan	General Investing	910,000	910,000	Common stock 91,000 thousand shares	100.00%	713,257	18,519	20,123
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	186,545	(2,823)	(2,811)
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	-	-	100.00%	7,790	(1,302)	(1,333)

Chih-Hung Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2019	Initial Investment: December 31, 2018	Investment as of December 31, 2019: Number of shares (thousand)	Investment as of December 31, 2019: Percentage of ownership (%)	Investment as of December 31, 2019: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$1,456	$1,456	Common stock 146 thousand shares	19.42%	$1,157	$(476)	$(92)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 8,000 thousand shares	100.00%	220,328	51,040	51,040
Fresco Logic Inc.	USA	IC designing	281,853	281,853	Preferred stock 5,528 thousand shares	22.61%	81,183	(24,933)	(3,646)
FaradayTek Solutions India Private Limited	India	IC design services	45	-	Common stock 10 thousand shares	1.00%	55	1,346	13

Sheng Bang Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment: December 31, 2019	Initial Investment: December 31, 2018	Investment as of December 31, 2019: Number of shares (thousand)	Investment as of December 31, 2019: Percentage of ownership (%)	Investment as of December 31, 2019: Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$6,044	$6,044	Common stock 604 thousand shares	80.58%	$4,801	$(476)	$(384)
FaradayTek Solutions India Private Limited	India	IC design services	$4,462	-	Common stock 990 thousand shares	99.00%	5,407	1,346	1,333

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

Innopower Technology Corporation

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Bright Capital Group Limited	Samoa	General investing	$68,593	$68,593	Common stock 2,301 thousand shares	100.00%	$234,736	$54,813	$54,813

Faraday Technology - B.V.I

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD $12,859,205	USD $12,859,205	Common stock 12,804 thousand shares	100.00%	$87,776	$(3,066)	$(3,066)
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,604	(47)	(47)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	148,954	36,187	36,187
Artery Technology Corporation-Cayman	Cayman	General investing	USD 4,460,000	USD 4,460,000	Common stock 4,300 thousand shares	67.20%	120,927	(51,720)	(40,087)

Artery Technology Corporation - Cayman

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Artery Technology Company	Taiwan	IC designing, marketing and customer service	60	-	Common stock 10 thousand shares	67.20% (Note2)	10,912	(9,697)	(6,855)

Note 1: USD are expressed in dollars.
Note 2:The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Unit:New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
Faraday Technology China Corporation	IC designing, marketing and customer service	$180,180 (USD 6,000,000)	Note 1 Note 3	$180,180 (USD 6,000,000)	$-	$-	$180,180 (USD 6,000,000)	$(3,026)	100.00%	$(3,026)	$85,129	$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	$174,174 (USD 5,800,000)	Note 4	$174,174 (USD 5,800,000)	$-	$-	$174,174 (USD 5,800,000)	$54,813	100.00%	$54,813	$234,736	$-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	$120,144 (USD 4,000,814)	Note 1 Note 5	$120,144 (USD 4,000,814)	$- $-	$-	$120,144 (USD 4,000,814)	-	100.00%	-	$448	$-
United Business Service Corporation	IC designing, marketing and customer service	$129,630 (RMB $30,000,000	Note 1 Note 6	$129,630 (RMB 3,0000,000)	$-	$-	$129,630 (RMB 3,0000,000)	$36,187	100.00%	$36,187	$148,952	$-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	$290,090 (USD 9,660,000)	Note 1 Note 7 Note 10	$133,934 (USD 4,460,000)	$-	$-	$133,934 (USD 4,460,000)	$(37,146)	67.20%	$(28,699)	$108,606	$-
United Creative Solution Corporation	IC designing, marketing and customer service	$4,321 (RMB 1,000,000)	Note 8	$-	$-	$-	$-	$(375)	100.00%	$(375)	$3,947	$-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	$4,321 (RMB 1,000,000)	Note 9	$-	$-	$-	$-	$(5)	100.00%	$(5)	$4,315	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$750,026 (Note 2) (USD 24,975,881)	$844,198 (Note 2) (USD 28,111,835)	$3,122,230

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation-Cayman.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2019.

Note 3: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of AiceStar Technology Corporation (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Brigtht Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 5,500 thousand , and the Company had remitted USD 4,460 thousand for the investment.

Note 8: United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

Note 9: United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

Note 10: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.

5. The company's individual financial report of the most recent year audited by CPAs

English Translation of a Report and Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS THEN ENDED
DECEMBER 31, 2019 AND 2018

Address: No. 5 Li-Hsin Road III, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.
Telephone: 886-3-578-7888

Notice to Readers

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Faraday Technology Corporation (the "Company") as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of 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 Parent Company Only Consolidated 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Company amounted to NT$4,646,362 thousand for the year ended December 31, 2019, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT$2,880,774 thousand, NT$1,383,791 thousand and NT$381,797 thousand, constituting 62% 、29.78% and 8.22% of net sales, respectively. Revenue is the main operating activity of the Company. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Company's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (16) and Note 6 (13).

Inventories

As of December 31, 2019, the Company's net inventories amounted to NT$617,595 thousand, constituting 8.52% of total assets, which is significant for the Company. The production of application-specific integrated circuit (ASIC) products are outsourced by professional wafer foundry and assembly and testing house. ASIC inventories are stored in several vendors and the complexity of inventory management increases. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), understanding the internal control over inventory quantities, evaluating the management's stock taking plan, selecting samples to perform physical inventory observation considering the inventory balances by location and selecting samples to perform external confirmation procedures for the inventories which we did not observe, and agreed the items of physical inventory observations or confirmations to sub-ledger. We also assessed the adequacy of accounting policy and disclosures of inventories. Please refer to Note 4 (10) and Note 6 (5).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT$521,789 thousand and NT$494,724 thousand, representing 7.20% and 7.61% of total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT$39,281 thousand and NT$34,889 thousand, represented 10.06% and 12.50% of the net income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT$(12,216) thousand and NT$11,410 thousand, representing (7.63)% and (6.92)% of the other comprehensive income, for the years ended December 31, 2019 and 2018, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Chiu, Wan-Ju

/s/Kuo, Shao-Pin

Ernst & Young, Taiwan
February 13, 2020

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2019 and December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of December 31, 2019	As of December 31, 2018	Liabilities and Equity	Note	As of December 31, 2019	As of December 31, 2018
Current assets				**Current liabilities**			
Cash and cash equivalents	4, 6(1)	$ 1,216,369	$ 1,304,481	Contract liabilities, current	4, 6(13), 7	$ 107,956	$ 108,209
Financial assets at fair value through profit or loss, current	4, 6(2)	204	330	Accounts payable		817,405	684,042
Contract assets, current	4, 6(13), 6(14), 7	421,034	313,150	Accounts payable - related parties	7	214,514	114,190
Notes receivable, net	6(14)	1,746	1,558	Payables on equipment		3,565	1,607
Accounts receivable, net	4, 6(4), 6(14)	281,516	303,772	Other payables	6(10), 7	512,312	516,101
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	454,404	220,326	Current tax liabilities	4, 5, 6(19)	50,497	41,294
Other receivables, net	7	117,481	72,987	Lease liabilities-current	4, 6(15), 12	6,572	-
Inventories, net	4, 6(5)	617,595	587,697	Other current liabilities		7,010	6,491
Other current assets		109,529	26,191	Total current liabilities		1,719,831	1,471,934
Total current assets		3,219,878	2,830,492				
				Non-current liabilities			
Non-current assets				Deferred tax liabilities	4, 5, 6(19)	5,173	1,924
Financial assets at fair value through other comprehensive income, noncurrent	4, 6(3)	895,710	705,397	Lease liabilities-noncurrent	4, 6(15), 12	199,510	-
Financial assets measured at amortized cost, noncurrent	8	30,265	15,236	Long-term payables	6(10)	96,901	211,859
Investments accounted for using the equity method	4, 6(6)	1,781,336	1,664,661	Defined benefit liabilities, non-current	4, 5, 6(11)	21,619	15,900
Property, plant and equipment	4, 6(7)	561,903	556,836	Total non-current liabilities		323,203	229,683
Right-of-use assets	4, 6(15)	203,420	-	Total liabilities		2,043,034	1,701,617
Intangible assets	4, 6(8)	518,209	682,681				
Deferred tax assets	4, 5, 6(19)	34,389	41,580	**Equity attributable to the parent company**			
Refundable deposits		1,640	1,113	Capital	6(12)		
Total non-current assets		4,026,872	3,667,504	Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,895	626,596
				Retained earnings	6(12)		
				Legal reserve		1,473,678	1,596,485
				Special reserve		512,210	860
				Unappropriated earnings		377,139	599,145
				Other components of equity		(369,709)	(512,210)
				Equity attributable to the parent company		5,203,716	4,796,379
Total assets		$ 7,246,750	$ 6,497,996	**Total liabilities and equity**		$ 7,246,750	$ 6,497,996

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

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

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31, 2019	2018
Net sales	4, 6(13), 7	$ 4,646,362	$ 4,323,744
Operating costs	6(5), 6(16), 7	(2,411,107)	(2,280,489)
Gross profit		2,235,255	2,043,255
Unrealized gross profit on sales		(611)	(499)
Gross profit, net		2,234,644	2,042,756
Operating expenses	6(8), 6(16), 7		
Selling expenses		(96,069)	(106,609)
Administrative expenses		(231,688)	(226,255)
Research and development expenses		(1,640,677)	(1,535,567)
Expected credit gain (loss)	6(14)	81,606	(73,794)
Total operating expenses		(1,886,828)	(1,942,225)
Operating income		347,816	100,531
Non-operating income and expenses			
Other income	6(17)	16,278	32,941
Other gains and losses	6(3), 6(17)	(5,119)	(14,698)
Finance costs	6(17)	(4,779)	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	36,084	160,421
Total non-operating income and expenses		42,464	178,664
Income from continuing operations before income tax		390,280	279,195
Income tax expense	4, 5, 6(19)	(42,403)	(15,967)
Net income		$ 347,877	$ 263,228
Other comprehensive income	4, 5, 6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(4,146)	(386)
Unrealized gain from equity investment measured at fair value through other comprehensive income		190,313	(114,030)
Income tax relating to items that will not be reclassified to profit or loss		829	462
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of a foreign operation		(31,920)	13,694
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method which may be reclassified to profit or loss		4,925	(64,698)
Other comprehensive income (net of income tax)		160,001	(164,958)
Total comprehensive income		$ 507,878	$ 98,270
Earnings per share (NTD)	6(20)		
Earnings per share-basic			
Earnings per share-basic		$ 1.40	$ 1.06
Earnings per share-diluted			
Earnings per share-diluted		$ 1.40	$ 1.05

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

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

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total Equity
Balance as of January 1, 2018	$ 2,485,503	$ 598,879	$ 1,512,894	$ -	$ 933,774	$ (67,610)	$ -	$ 66,750	5,530,190
Impact of retrospective application and restatement	-	-	-	-	134,275	-	(256,237)	(66,750)	(188,712)
Restated balance as of January 1, 2018	2,485,503	598,879	1,512,894	-	1,068,049	(67,610)	(256,237)	-	5,341,478
Appropriation and distribution of 2017 retained earnings									
Legal reserve	-	-	83,591	-	(83,591)	-	-	-	-
Special reserve	-	-	-	860	(860)	-	-	-	-
Cash dividends	-	-	-	-	(671,086)	-	-	-	(671,086)
Net income in 2018	-	-	-	-	263,228	-	-	-	263,228
Other comprehensive income (loss) in 2018	-	-	-	-	76	14,655	(179,689)	-	(164,958)
Total comprehensive income (loss) in 2018	-	-	-	-	263,304	14,655	(179,689)	-	98,270
Change in subsidiaries' ownership	-	27,717	-	-	-	-	-	-	27,717
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	23,329	-	(23,329)	-	-
Balance as of December 31, 2018	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ -	$ 4,796,379
Balance as of January 1, 2019	$ 2,485,503	$ 626,596	$ 1,596,485	$ 860	$ 599,145	$ (52,955)	$ (459,255)	$ -	$ 4,796,379
Appropriation and distribution of 2018 retained earnings									
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	-	347,877
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	-	160,001
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	-	507,878
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	-	98,299
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-
Balance as of December 31, 2019	$ 2,485,503	$ 724,895	$ 1,473,678	$ 512,210	$ 377,139	$ (85,537)	$ (284,172)	$ -	$ 5,203,716

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

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

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31, 2019	For the years ended December 31, 2018
Cash flows from operating activities:		
Net Income before tax	$ 390,280	$ 279,195
Adjustments for non-cash gain or loss:		
Depreciation	64,154	43,797
Amortization	331,695	360,664
Expected credit (gain) loss	(81,606)	73,794
Loss on financial assets and liabilities at fair value through profit or loss	126	4,535
Interest expense	4,779	
Interest income	(6,109)	(7,776)
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(36,084)	(160,421)
Loss on disposal of investments	-	7,251
Changes in operating assets and liabilities:		
Contract assets	(107,884)	(313,150)
Notes receivable	(188)	3,512
Accounts receivable	103,862	(41,582)
Accounts receivable from related parties	(234,078)	37,493
Other receivables	(43,861)	66,357
Inventories	(29,898)	(153,534)
Other current assets	(83,338)	959
Contract liabilities	(253)	59,513
Accounts payable	133,363	229,783
Accounts payable - related parties	100,324	29,714
Other payables	(13,631)	(147,248)
Other current liabilities	519	(1,739)
Defined benefit liabilities	2,402	(2,862)
Cash generated from operations	494,574	368,255
Interest received	5,476	8,174
Interest paid	(4,779)	-
Income tax paid	(22,760)	(98,804)
Net cash provided by operating activities	$ 472,511	$ 277,625

Description	For the years ended December 31, 2019	For the years ended December 31, 2018
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost	$ (15,029)	$ -
Acquisition of investments accounted for using equity method	(9,287)	(29,300)
Proceeds from disposal of subsidiary	-	23,350
Acquisition of property, plant and equipment	(59,494)	(85,418)
Refundable deposits	(527)	(49)
Acquisition of intangible assets	(268,076)	(339,994)
Other investing activities	-	(29)
Net cash used in investing activities	(352,413)	(431,440)
Cash flows form financing activities:		
Cash payments for the principal portion of the lease liability	(5,107)	-
Cash dividends paid	(198,840)	(671,086)
Net cash used in financing activities	(203,947)	(671,086)
Effect of exchange rate changes on cash and cash equivalents	(4,263)	7,830
Net decrease in cash and cash equivalents	(88,112)	(817,071)
Cash and cash equivalents at beginning of period	1,304,481	2,121,552
Cash and cash equivalents at end of period	$ 1,216,369	$ 1,304,481

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

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company's shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements for the years ended December 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 13, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16"Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
b. For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Company was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arised.
c. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset increased by NT$211,189 thousand, lease liability-current increased by NT$5,780 thousand, and lease liability-noncurrent increased by NT$205,409 thousand.

In accordance with the transition provision in IFRS 16, the Company's used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

i. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Relied on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elected to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Excluded initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4, Note 5 and Note 6(15) for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As of January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted-average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 2.154%.
ii. The explanation for the difference of NT$191,722 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$37,494
Discounted using the incremental borrowing rate on January 1, 2019	$19,467
Add: adjustments to the options to extend the lease that is reasonably certain to exercise	191,722
The carrying value of lease liabilities recognized as of January 1, 2019	$211,189

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

a. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

b. Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

c. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The above-mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The above-mentioned standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

(a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of six months or less).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(1) the Company’s business model for managing the financial assets and
(2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(2) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(1) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(2) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS15 and not within the scope of inventories.

(11) Investments accounted for using equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using the equity method," "share of profit of subsidiaries and associates accounted for using the equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using the equity method."

The Company's investment in associates is accounted for using equity method. An associate is an equity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures.* If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *"Impairment of Assets".* In determining the value in use of the investment, the Company estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *"Impairment of Assets"* .

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, plant and equipment".* When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(13) Leases

The accounting policy from January 1, 2019 is as follows:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The accounting policy before January 1, 2019 is as follows:

Company as a lessee

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

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company’s intangible assets is as follows:

	Computer software
Useful lives	2～3years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *“Impairment of Assets”* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

<u>Sale of goods</u>

The Company outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Company is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Company's sale of goods is from 30 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Company has the obligation to transfer the goods subsequently. Accordingly, the Company recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Company provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Company are collected throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Company measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Company's intellectual property as it exist throughout the license period, the Company uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Company's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Company recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Company has the obligation to provide the services to access or use the Company's intellectual property subsequently. Accordingly, the Company recognizes payments received in advance as contract liabilities.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 (5) for more details.

B. Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and expected rate of salary increases. Please refer to Note 6 (11) for more details.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile within the Company.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 (19) for disclosure on unrecognized deferred tax assets of the Company as of December 31, 2019.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2019	December 31, 2018
Cash		
Cash on hand	$200	$200
Checking and savings	182,420	193,137
Time deposits	973,749	1,111,144
Cash equivalents-Commercial paper with repurchase	60,000	-
Total	$1,216,369	$1,304,481

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of	
	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$204	$330
Current	$204	$330

Financial assets at fair value through profit or loss were not pledged.

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

	As of	
	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	$895,710	$705,397

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

The Company's investment in equity instrument investments measured at fair value. The dividend income recognized during 2018 was NT$7,717 thousand, which was related to the investments held on the balance sheet date.

(4) Accounts receivable, net and accounts receivable from related parties, net

	As of	
	December 31, 2019	December 31, 2018
Accounts receivable	$318,526	$344,265
Subtotal (gross carrying amount)	318,526	344,265
Less：Allowance for doubtful accounts	(37,010)	(40,493)
Subtotal	281,516	303,772
Accounts receivable from related parties, net	454,404	220,326
Subtotal (gross carrying amount)	454,404	220,326
Total	$735,920	$524,098

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivable were not pledged.

Accounts receivable are generally on 30- 60 day terms from the date of monthly closing. The Company's carrying amount of accounts receivable was amounted to NT$772,930 thousand, and NT$564,591 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6(14) for more details on impairment of account receivable, and Note 12 for more details on credit risk.

(5) Inventories

	As of	
	December 31, 2019	December 31, 2018
Work in process	$163,460	$153,158
Finished goods	454,135	434,539
Total	$617,595	$587,697

The cost of inventories recognized in expenses amounted to NT$2,411,107 thousand and NT$2,280,489 thousand for the years ended December 31, 2019 and 2018, respectively, including the loss of NT$3,686 thousand and loss on scrap of inventories of NT$7,564 thousand, and gain of NT$7,167 thousand and loss on scrap of inventories of NT$18,930 thousand for the years ended December 31, 2019 and 2018, respectively. The gain from reversal of allowance for decline in market value and obsolescence was recognized due to the sales of the Company's previously written-down inventories during the year of 2018.

No inventories were pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Investments accounted for using the equity method

	As of			
	December 31, 2019		December 31, 2018	
Investee company	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Faraday Technology Corporation (USA)	$426,414	100.00%	$432,596	100.00%
Faraday Technology－B.V.I.	365,263	100.00%	283,413	100.00%
Faraday Technology Japan Corporation	82,067	99.95%	62,128	99.95%
Chih-Hung Investment Corporation	713,257	100.00%	675,248	100.00%
Sheng Bang Investment Corporation	186,545	100.00%	211,276	100.00%
Faraday Technology Vietnam Company Limited	7,790	100.00%	-	-
Total	$1,781,336		$1,664,661	

1. The investments in subsidiaries are presented as investments accounted for using the equity method in the parent company only financial report with necessary adjustments.
2. Faraday Technology－B.V. has been liquidated and capital was remitted during the year ended December 31, 2018. Please refer to Note 6 (21).
3. The Company increased its investment in Technology－B.V.I. by acquiring 960 thousand shares with NT$29,299 thousand during the year ended December 31, 2018.
4. The Company increased its investment in Faraday Technology Vietnam Company Limited by acquiring its capital with NT$9,287 thousand during the year ended December 31, 2019.
5. The Company used equity method to recognize its investment gains and losses for the years ended December 31, 2019 and 2018. The Company recognized share of profit of Faraday Technology Corporation (USA) and Faraday Technology Japan Corporation amounted to NT$39,281 thousand and NT$34,889 thousand, and share of other comprehensive income of Faraday Technology Corporation (USA) and Faraday Technology Japan Corporation amounted to NT$(12,216) thousand and NT$11,410 thousand, respectively, which were audited by other auditors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Property, plant and equipment

	As of	
	December 31, 2019	December 31, 2018
Property, plant and equipment for own use	$561,903	(Note)

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Property, plant and equipment for own-use (after the application of IFRS 16)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2019	$33,576	$588,866	$41,243	$132,320	$1,620	$-	$797,625
Additions	-	595	3,768	56,153	261	675	61,452
Exchange effect	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
As of December 31, 2019	$33,576	$562,550	$40,858	$165,478	$261	$675	$803,398
Depreciation and impairment:							
As of January 1, 2019	$-	$177,915	$11,401	$49,853	$1,620	$-	$240,789
Additions	-	12,252	6,939	37,151	15	28	56,385
Exchange effect	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
As of December 31, 2019	$-	$163,256	$14,187	$64,009	$15	$28	$241,495
Net carrying amount as of:							
As of December 31, 2019	$33,576	$399,294	$26,671	$101,469	$246	$647	$561,903

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2018	$33,576	$588,586	$21,452	$103,721	$1,620	$95	$749,050
Additions	-	760	23,055	62,793	-	-	86,608
Disposals	-	(480)	(3,264)	(34,194)	-	(95)	(38,033)
As of December 31, 2018	$33,576	$588,866	$41,243	$132,320	$1,620	$-	$797,625
Depreciation and impairment:							
As of January 1, 2018	$-	$164,297	$9,955	$59,338	$1,350	$85	$235,025
Additions	-	14,098	4,710	24,709	270	10	43,797
Disposals	-	(480)	(3,264)	(34,194)	-	(95)	(38,033)
As of December 31, 2018	$-	$177,915	$11,401	$49,853	$1,620	$-	$240,789
Net carrying amount as of:							
As of December 31, 2018	$33,576	$410,951	$29,842	$82,467	$-	$-	$556,836

Note:

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

(8) Intangible assets

	Software	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Cost		
Beginning balance	$987,287	$1,118,231
Addition－acquired separately	162,960	630,332
Decrease－derecognition	(122,505)	(753,439)
Exchange differences	4,263	(7,837)
Ending balance	$1,032,005	$987,287

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Software	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Accumulated Amortization		
Beginning balance	$304,606	$697,381
Amortization	331,695	360,664
Decrease－derecognition	(122,505)	(753,439)
Ending balance	$513,796	$304,606

Net carrying amount as of:	
December 31, 2019	$518,209
December 31, 2018	$682,681

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Research and development expenses	$331,695	$360,664

(9) Short-term payables

The Company's credit limit from short-term loans was NT$1,350,750 thousand and NT$907,200 thousand as of December 31, 2019 and 2018, respectively, and all of which was unused.

(10) Long-term payables

The payables were primarily attributable to several agreements which the Company entered into for certain software license. As of December 31, 2019 and 2018, payments for future years are as follows：

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of	
Year of payment	December 31, 2019	December 31, 2018
2019	$-	$145,704
2020	111,886	143,968
2021	70,687	67,891
2022	26,214	-
Subtotal	208,787	357,563
Less: Current portion (recognized as other payables)	(111,886)	(145,704)
Total	$96,901	$211,859

(11) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$44,689 thousand and NT$39,819 thousand, respectively.

Defined benefit plan

The Company adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company would make up the difference in one appropriation before the end of March the following year.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$4,034 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The average duration of the defined benefits plan obligation as of December 31, 2019 and 2018, are 14 years and 15 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2019	2018
Current period service costs	$5,654	$310
Net interest expense	58	235
Total	$5,712	$545

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Defined benefit obligation	$143,847	$128,922	$123,734
Plan assets at fair value	(122,228)	(113,022)	(104,896)
Non-current liabilities -Defined benefit liabilities recognized on the balance sheets	$21,619	$15,900	$18,838

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2018	$123,734	$ (104,896)	$18,838
Current period service costs	310	-	310
Net interest expense (income)	1,516	(1,281)	235
Subtotal	125,560	(106,177)	19,383
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,065)	-	(1,065)
Experience adjustments	4,427	-	4,427
Remeasurements of defined benefit asset	-	(2,976)	(2,976)
Subtotal	3,362	(2,976)	386
Contributions by employer	-	(3,869)	(3,869)
As of December 31, 2018	$128,922	$(113,022)	$15,900
Current period service costs	5,654	-	5,654
Net interest expense (income)	1,300	(1,242)	58
Subtotal	135,876	(114,264)	21,612
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	6,335	-	6,335
Experience adjustments	1,636	-	1,636
Remeasurements of defined benefit asset	-	(3,825)	(3,825)
Subtotal	7,971	(3,825)	4,146
Contributions by employer	-	(4,139)	(4,139)
As of December 31, 2019	$143,847	$(122,228)	$21,619

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2019	December 31, 2018
Discount rate	0.7234%	1.0085%
Expected rate of salary increases	2.75%	2.75%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$9,724	$-	$8,878
Discount rate decrease by 0.5%	10,637	-	9,714	-
Expected rate of salary increase by 0.5%	10,244	-	9,381	-
Expected rate of salary decrease by 0.5%	-	9,475	-	8,671

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Capital stock

The Company’s authorized capital was NT$5,000,000 thousand, divided into 500,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options) as of December 31, 2019 and 2018, each at a par value of NT$10. Following the resolution of the shareholders’ meeting on June 12, 2012, the Company decided to increase its authorized common shares to NT$6,000,000 thousand, divided into 600,000 thousand shares. As of December 31, 2019, related registration processes have not been completed.

The Company’s issued capital was NT$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2019 and 2018. Each share has one voting right and a right to receive dividends.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Additional paid-in capital

	As of	
	December 31, 2019	December 31, 2018
Premiums in excess of par	$594,782	$594,782
Change in subsidiaries' ownership	126,016	27,717
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,531	1,531
Employee stock option and others	2,566	2,566
Total	$724,895	$626,596

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Reserve for tax payments;
b. Offset accumulated losses in previous years, if any;
c. Legal reserve, which is 10% of leftover profits.
d. Allocation or reverse of special reserves as required by law or government authorities;
e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012, which set out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year", provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Order had no influence on the Company.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the shareholders' meeting on June 13, 2019 and June 15, 2018, respectively, are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$26,323	$83,591	$-	$-
Increase in special reserve	511,350	860	-	-
Common stock-cash dividend	49,710	671,086	0.2	2.7

Legal reserve distribution to dividends per share NT$0.6 and dividend per share NT$0.2 were resolved by the shareholders' meeting on June 13, 2019. Total dividend per share was NT$0.8.

Please refer to Note 6(16) for more details on employees' compensations and the remunerations to directors and supervisors.

(13) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Sale of goods	$2,880,774	$2,682,722
Rendering of services	1,383,791	1,281,642
Silicon intellectual property license	381,797	359,380
Total	$4,646,362	$4,323,744
Revenue recognition point:		
At a point in time	$3,203,542	$2,985,284
Over time	1,442,820	1,338,460
Total	$4,646,362	$4,323,744

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Rendering of services	$421,034	$313,150	$9,721

The significant changes in the Company's balances of contract assets for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to accounts receivable	$32,905	$9,721
Change in the progress of completion	149,928	313,150
Impairment	(9,139)	-

B. Contract liabilities – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	$107,608	$107,965	$38,125
Rendering of services	86	-	10,479
Silicon intellectual property license	262	244	92
Total	$107,956	$108,209	$48,696

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to revenue	$23,990	$46,959
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	23,737	106,472

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license are NT$1,105,026 thousand. The Company will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

None.

(14) Expected credit (gain) losses

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit (gain) losses		
Contract Assets	$9,139	$-
Account receivables	(35,464)	7,767
Other receivables from related parties	(55,281)	66,027
Total	$(81,606)	$73,794

Please refer to Note 12 for more details on credit risk.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company measures the loss allowance of its contract assets and trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as of December 31, 2019 and 2018 are as follows:

i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	For the years ended December 31,	
	2019	2018
Gross carrying amount	$430,173	$313,150
Expected credit loss rates	0%~100%	0%
Loss allowance	(9,139)	-
Total	$421,034	$313,150

ii. the Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

2019.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$649,776	$34,325	$32,435	$20,047	$7,122	$30,971	$774,676
Expected credit loss rates	-%	-%	0~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	473	2,005	3,561	30,971	37,010
Subtotal	$649,776	$34,325	$31,962	$18,042	$3,561	$-	$737,666

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2018.12.31

	Not yet due	Overdue					
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$466,980	$24,109	$8,146	$16,366	$25,623	$24,925	$566,149
Expected credit loss rates	-%	-%	0~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	826	2,027	12,960	24,680	40,493
Subtotal	$466,980	$24,109	$7,320	$14,339	$12,663	$245	$525,656

Note: All of the Company's note receivables are not yet due.

iii. The gross carrying amount of other receivables - related parties are NT$149,353 thousand and NT$151,741 thousand as of December 31, 2019 and 2018, respectively. The amount of allowance for doubtful accounts are NT$44,423 thousand and NT$98,009 thousand as of December 31, 2019 and 2018, respectively, by considering counterparties' credit rating, geographical region and industry, etc.

The movements in the provision for impairment of account receivables during the years ended December 31, 2019 and 2018 are as follows:

	Contract Assets	Account receivables and Other Account receivables from related
As of January 1, 2019	$-	$138,502
Increase (reversal) for the current period	9,139	(90,745)
As of December 31, 2019	$9,139	$47,757
As of January 1, 2018 (in accordance with IAS 39)	$-	$64,708
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	64,708
Addition for the current period	-	73,794
As of December 31, 2018	$-	$138,502

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Leases

A. The Company as lessee (applicable to IFRS 16)

The Company leases various properties, including real estate (land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2019	December 31, 2018
Land	$196,848	(Note)
Buildings and facilities	4,591	
Transportation equipment	1,749	
Office equipment	232	
Total	$203,420	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Lease liability

	As of	
	December 31, 2019	December 31, 2018
Lease liability	$206,082	(Note)
Lease liability-current	$6,572	
Lease liability-noncurrent	199,510	
Total	$206,082	

Please refer to Note 6 (17) for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12 (5) for the maturity analysis for lease liabilities.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018
Land	$5,320	(Note)
Buildings and facilities	1,172	
Transportation equipment	1,166	
Office equipment	111	
Total	$7,769	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflow for leases amounted to NT$9,810 thousand.

d. Other information relating to leasing activities

Extension option

Some of the Company's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with period covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Operating lease commitments - The Company as lessee (applicable to IAS 17)

The Company has entered into commercial leases on land and office. Future minimum rentals payable as of December 31, 2018 is as follows:

	As of December 31, 2018
Not later than one year	$10,484
Later than one year and not later than five years	27,010
Total	$37,494

Operating lease expenses recognized is as follows:

	For the year ended December 31, 2018
Minimum lease payment	$9,380

(16) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$46,500	$1,072,746	$1,119,246	$42,141	$946,224	$988,365
Labor and health insurance	3,309	65,650	68,959	3,037	60,231	63,268
Pension	2,335	48,066	50,401	1,880	38,484	40,364
Remuneration to directors	-	5,806	5,806	-	6,127	6,127
Others	1,026	22,172	23,198	973	20,803	21,776
Depreciation	916	63,238	64,154	637	43,160	43,797
Amortization	-	331,695	331,695	-	360,664	360,664

(1) The average number of employees of the Company was 638 and 593 for the years ended December 31, 2019 and 2018, respectively, including 4 non-employee directors for both years.

(2) Listed companies need to disclose the following additional information:

A. The average employee benefits expense for the current year was NT$1,990 thousand, and the average employee benefits expense for the previous year was NT$1,891 thousand.

B. The average employee salaries for the current year was NT$1,765 thousand, and the average employee salaries for the previous year was NT$1,678 thousand.

C. The Company's average salary expense adjustment increased by 5.2%.

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$51,662 thousand and NT$216 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT$51,662 thousand and NT$216 thousand for the year ended December 31, 2019.

Actual employees' compensation and renumeration to directors for the year ended December 31, 2018 was NT$39,345 thousand and NT$250 thousand, respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$6,109	$7,776
Rental income	1,057	1,543
Dividend income	-	7,717
Others	9,112	15,905
Total	$16,278	$32,941

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Losses on disposal of investments	$-	$(7,251)
Foreign exchange gains	5,576	28,329
Losses on financial assets at fair value through profit or loss	(126)	(4,535)
Others	(10,569)	(31,241)
Total	$(5,119)	$(14,698)

C. Finance costs

	For the years ended December 31,	
	2019	2018
Losses on disposal of investments	$4,703	(Note)
Others	76	
Total	$4,779	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(4,146)	$-	$(4,146)	$829	$(3,317)
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	190,313	-	190,313	-	190,313
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(31,920)	-	(31,920)	-	(31,920)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	4,925	-	4,925	-	4,925
Total of other comprehensive income	$159,172	$-	$159,172	$829	$160,001

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(386)	$-	$(386)	$462	$76
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	(114,030)	-	(114,030)	-	(114,030)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	13,694	-	13,694	-	13,694
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(64,698)	-	(64,698)	-	(64,698)
Total of other comprehensive income	$(165,420)	$-	$(165,420)	$462	$(164,958)

(19) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, starting from the year ended December 31, 2018, the Company's applicable corporate income tax rate changed from 17% to 20%. The corporate income surtax on undistributed retained earnings changed from 10% to 5%.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2019	2018
Current income tax expense:		
Current income tax payable	$35,173	$47,822
Adjustments in respect of current income tax of prior periods	(4,039)	(14,850)
Deferred tax expense (income):		
Deferred income tax income related to origination and reversal of temporary differences	11,269	(13,089)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(3,916)
Total income tax expense	$42,403	$15,967

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2019	2018
Deferred tax (income) expense:		
Remeasurements of defined benefit plans	$(829)	$(462)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2019	2018
Accounting profit before tax from continuing operations	$390,280	$279,195
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	$78,056	$55,839
Tax effect of revenues exempted from taxation	(3,262)	(18,080)
Tax effect of deferred tax assets/liabilities	(11,589)	(12,092)
10% surtax on undistributed retained earnings	-	9,017
Adjustments in respect of current income tax of prior periods	(4,039)	(14,850)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(3,916)
Tax credits	(14,053)	-
Others	(2,710)	49
Total income tax expense recognized in profit or loss	$42,403	$15,967

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2019
Temporary differences					
Unrealized exchange loss	$532	$2,094	$-	$-	$2,626
Unrealized exchange gain	(1,858)	(3,274)	-	-	(5,132)
Unrealized allowance for inventory valuation and obsolescence losses	9,093	737	-	-	9,830
Revaluations of financial assets (liabilities) at fair value through profit or loss	(66)	25	-	-	(41)
Defined benefit liabilities , non-current	3,180	315	829	-	4,324
Unrealized losses on Impairment of Assets	2,970	-	-	-	2,970
Unrealized loss from sales	100	22	-	-	122
Unrealized bad debt expense	25,705	(11,188)	-	-	14,517
Deferred tax expense		$(11,269)	$829	$-	
Net deferred tax assets/(liabilities)	$39,656				$29,216
Reflected in balance sheet as follows:					
Deferred tax assets	$41,580				$34,389
Deferred tax liabilities	$1,924				$5,173

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2018
Temporary differences					
Unrealized exchange loss	$1,454	$ (922)	$-	$-	$532
Unrealized exchange gain	(209)	(1,649)	-	-	(1,858)
Unrealized allowance for inventory valuation and obsolescence losses	8,947	146	-	-	9,093
Revaluations of financial assets (liabilities) at fair value through profit or loss	(827)	761	-	-	(66)
Defined benefit liabilities , non-current	3,202	(484)	462	-	3,180
Unrealized losses on Impairment of Assets	-	2,970	-	-	2,970
Unrealized loss from sales	-	100	-	-	100
Unrealized bad debt expense	9,621	16,084	-	-	25,705
Others	1	(1)	-	-	-
Deferred tax expense		$17,005	$462	$-	
Net deferred tax assets/(liabilities)	$22,189				$39,656
Reflected in balance sheet as follows:					
Deferred tax assets	$23,225				$41,580
Deferred tax liabilities	$1,036				$1,924

Unrecognized deferred tax assets

As of December 31, 2019 and 2018 deferred tax assets that were not recognized amounted to NT$70,704 thousand and NT$79,678 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$53,702 thousand and NT$32,808 thousand, respectively.

As of December 31, 2019, the assessment of the income tax of the Company is assessed and approved up to 2017.

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2019	2018
(a) Basic earnings per share		
Net income (in thousand NT$)	$347,877	$263,228
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share	$1.40	$1.06

	For the years ended December 31	
	2019	2018
(b) Diluted earnings per share		
Net income (in thousand NT$)	$347,877	$263,228
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	493	1,473
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	249,043	250,023
Diluted earnings per share	$1.40	$1.05

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(21) Deconsolidation of subsidiary

Faraday Technology Corporation—B.V. filed for liquidation through the decision at its shareholders' meeting in 2018. The Company received the capital remittance in the year ended December 31, 2018, and derecognized the related assets and liabilities of the entity.

(1) The amount of assets and liabilities of Faraday Technology Corporation—B.V. over which the Company lost control are as follow：

	As of September 30, 2018
Assets:	
Cash and cash equivalents	$22,896
Account receivables-related parties	350
Other receivables	46
Other current assets	257
Property, plant and equipment	8
Total	23,557
Liabilities	-
Net assets of the subsidiary deconsolidated	$23,557

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Consideration received and gain recognized from the transaction：

	For the year ended December 31, 2018
Cash received	$23,350
Net assets of the subsidiary deconsolidated	(23,557)
Effect of exchange rate change	(7,044)
Loss on disposal	$(7,251)

Loss on disposal was included in other gains and losses in statements of comprehensive income for the year ended December 31, 2018.

(3) Analysis of net cash flow arising from deconsolidation of the subsidiary：

	For the year ended December 31, 2018
Cash received	$23,350
Net cash of subsidiary derecognized	(22,896)
Net cash flow from deconsolidation	$454

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting years is as follows:

Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc.	Subsidiaries' associates
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties
Faraday Technology Corporation (USA)	Subsidiaries
Faraday Technology Japan Corporation	Subsidiaries
FaradayTek Solutions India Private Limited	Subsidiaries
GrainTech Electronics Limited	Subsidiaries

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Faraday Technology China Corporation	Subsidiaries
Grain Media Inc.	Subsidiaries
Innopower Technology Corporation (Innopower)	Subsidiaries
Faraday Technology Corporation (Suzhou)	Subsidiaries
Artery Technology Corporation, Ltd.	Subsidiaries
United Business Service Corporation	Subsidiaries
Artery Technology Company	Subsidiaries

(1) Sales

	For the years ended December 31	
	2019	2018
United Microelectronics Corporation	$588,512	$442,802
Faraday Technology Japan Corporation	581,418	486,927
Faraday Technology Corporation (USA)	413,032	444,765
Faraday Technology China Corporation	700,381	675,210
Subsidiaries	302,764	207,614
Subsidiaries' associates	54,925	79,375
Other related parties	30,381	34,002
Total	$2,671,413	$2,370,695

The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2019	2018
United Microelectronics Corporation	$1,048,948	$843,269
HeJian Technology (Suzhou) Co., Ltd.,	554,695	292,238
Other related parties	39,826	121,782
Total	$1,643,469	$1,257,289

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Expense and Revenue

	Items	For the years ended December 31 2019	2018
Subsidiaries	Research and development expenses	$61,110	$43,994
United Microelectronics Corporation	Testing expenses	622	-
HeJian Technology (Suzhou) Co., Ltd.,	Testing expenses	677	-
Subsidiaries	Rental income	(114)	(286)
Total		$62,295	$43,708

(4) Contract assets-current

	As of December 31, 2019	December 31, 2018
Faraday Technology China Corporation	$272,676	$270,602
Subsidiaries	10,189	-
Total	$282,865	$270,602

(5) Accounts receivables from related parties, net

	As of December 31, 2019	December 31, 2018
United Microelectronics Corporation	$158,554	$93,035
Faraday Technology Japan Corporation	83,015	57,784
Faraday Technology China Corporation	72,899	6,638
Innopower	34,044	38,824
Subsidiaries	93,832	9,281
Subsidiaries' associates	12,060	14,764
Total	$454,404	$220,326

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Other receivables

	As of	
	December 31, 2019	December 31, 2018
Faraday Technology China Corporation	$27,347	$7,015
Innopower	30,649	45,911
Artery Technology Corporation, Ltd.	15,777	-
Subsidiaries	42	806
Total	$73,815	$53,732

(7) Contract liabilities-current

	As of	
	December 31, 2019	December 31, 2018
Subsidiaries	$113	$5,283

(8) Accounts payable to related parties, net

	As of	
	December 31, 2019	December 31, 2018
United Microelectronics Corporation	$78,655	$69,177
HeJian Technology (Suzhou) Co., Ltd.,	122,613	38,484
Subsidiaries	6,483	93
Other related parties	6,763	6,436
Total	$214,514	$114,190

(9) Other payables

	As of	
	December 31, 2019	December 31, 2018
Subsidiaries	$438	$7,299

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits	$88,012	$82,806
Post-employment benefits	1,290	1,288
Total	$89,302	$84,094

8. Assets Pledged As Collateral

The Company's assets pledged as collateral were as follows:

	Carrying amount		
Assets pledged for security	2019.12.31	2018.12.31	Secured liabilities
Financial assets measured at amortized cost	$30,265	$15,236	Custom clearance deposit

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

12. Others

(1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	$204	$330
Financial assets at fair value through other comprehensive income	895,710	705,397
Financial assets measured at amortized cost (Note 1)	2,103,221	1,919,273
Total	$2,999,135	$2,625,000

Financial liabilities

	As of	
	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Payables (including related parties)	$1,035,484	$799,839
Other payables	512,312	516,101
Long-term payables	96,901	211,859
Lease liabilities	206,082	(Note 2)
Total	$1,850,779	$1,527,799

Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

Note 2: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk exposures.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2019 and 2018 would decrease / increase by NT$3,297 thousand and NT$74,892 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Company's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Company's unlisted equity securities and other investment are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, accounts receivable from top ten customers represented 71% and 73% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Company are described as follows:

				Carrying amount	
				As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2019	December 31, 2018
Simplified method (Note)	(Note)	Lifetime expected credit losses	0%~100%	$1,204,849	$879,299

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract asset, notes receivables and account receivables.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Payables (including related parties)	$1,035,484	$-	$-	$-	$1,035,484
Other payables	512,312	-	-	-	512,312
Long-term payables	-	96,901	-	-	96,901
Lease Liability	10,484	19,074	17,030	254,544	301,132
As of December 31, 2018					
Payables (including related parties)	$799,839	$-	$-	$-	$799,839
Other payables	516,101	-	-	-	516,101
Long-term payables	-	211,859	-	-	211,859

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Inflows	$108,183	$-	$-	$-	$108,183
Outflows	(107,979)	-	-	-	(107,979)
Net	$204	$-	$-	$-	$204
As of December 31, 2018					
Inflows	$330	$-	$-	$-	$330
Outflows	-	-	-	-	-
Net	$330	$-	$-	$-	$330

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2019:

	Lease Liability
As of January 1, 2019	$211,189
Cash flows	(5,107)
As of December 31, 2019	$206,082

Reconciliation of liabilities for year ended December 31, 2018:

None.

(7) Fair values of financial instruments

(a) the methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivables, other receivables, payables and other payables approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.

iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.

iv. The long-term payables are determined by discounted cash flow analysis. The Company estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.

v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2019 and 2018 is as follows:

Forward currency contracts

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2019.12.23 to 2020.01.09
Forward currency contract	Sell foreign currency RMB 25,000 thousand	From 2019.12.25 to 2020.01.17
As of December 31, 2018		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2018.12.19 to 2019.01.09

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2019：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$204	$-	$204
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	895,710	895,710

As of December 31, 2018：

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$330	$-	$330
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	705,397	705,397

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
Beginning balances as at January 1, 2019	$705,397	$705,397
Total gains and losses recognized for the year ended December 31, 2019:		
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	190,313	190,313
Ending balances as of December 31, 2019	$895,710	$895,710

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
Beginning balances as at January 1, 2018	$819,427	$819,427
Total gains and losses recognized for the year ended December 31, 2018:		
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(114,030)	(114,030)
Ending balances as of December 31, 2018	$705,397	$705,397

Recognized as profit (loss) above, the loss from financial assets still held by the Company as of December 31, 2019 and 2018 was both NT$0 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company's equity by NT$89,571 thousand

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company's equity by NT$70,540 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2019:

None

As of December 31, 2018:

None

(10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$32,089	30.03	$963,646
Non-monetary items:			
USD	14,643	30.03	439,722
Financial liabilities			
Monetary items:			
USD	30,991	30.03	930,673

	As of December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$28,421	30.72	$873,080
Non-monetary items:			
USD	14,082	30.72	432,596
Financial liabilities			
Monetary items:			
USD	4,042	30.72	124,158

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies within the Company, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain was NT$5,576 thousand and NT$28,329 thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2019:

(a) Financing provided to others for the year ended December 31, 2019: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2019: None.

(c) Securities held as of December 31, 2019: Please refer to Attachment 1.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 2.

(h) Receivables from related parties with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 3.

(i) Financial instruments and derivative transactions: Please refer to Note 12.

(j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Company: Please refer to Attachment 5.

(3) Information on investments in Mainland China

(a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.

(b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2019:

i. Purchases amount and percentage, and related ending balance and percentage of payables: None.

ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.

iii. Property transaction amount and occurred gain (loss): None.

iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.

v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.

vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2019) (Excluding subsidiaries and associates)

Faraday Technology Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	92,496,000	$826,854	12.12%	$826,854	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	68,856	5.00%	68,856	-

Chih-Hung Investment Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Preferred stock Common Stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, noncurrent	14,600,000 1,714,285	$-	12.60%	$-	-
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, noncurrent	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	23,931	9.53%	23,931	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, noncurrent	1,200,000	15,856	9.95%	15,856	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, noncurrent	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, noncurrent	1,818	122,313	9.74%	122,313	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	53,583	15.00%	53,583	-

Sheng Bang Investment Corporation

				As of December 31, 2019				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, noncurrent	10,000	$21,812	-	$21,812	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	12,538	19.67%	12,538	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, noncurrent	-	11,339	8.50%	11,339	-

Note : Fair value of equity instruments without active market and market quotation cannot be reliably measured.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2019)

Faraday Technology Corporation

		Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		
Counter-party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit Price	Payment Term	Balance	Percentage of total receivables (payable)	Note
Faraday Technology Corporation (USA)	Subsidiary	Sales	$413,032	8.89%	Month-end 60 days	Note 1	Note3	$35,855	4.86%	-
Faraday Technology China Corporation	Subsidiary	Sales	700,381	15.07%	Month-end 60 days	Note 1	Note3	72,899	9.88%	-
Faraday Technology Japan Corporation	Subsidiary	Sales	581,418	12.51%	Month-end 60 days	Note 1	Note3	83,015	11.25%	-
Innopower Technology Corporation (Innopower)	Subsidiary	Sales	172,738	3.72%	Month-end 60 days	Note 2	Note 2	34,044	4.62%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	1,048,948	53.46%	Month-end 60 days	Note 4	Note 4	78,655	7.62%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	588,512	12.67%	Month-end 60 days	Note 2	Note 2	158,554	21.49%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	554,695	28.27%	Month-end 60 days	Note 4	Note 4	122,613	11.88%	-

Note 1: The sales price to the above related parties was determined through mutual agreement in reference to resale price.
Note 2: Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.
Note 3: The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties.
Note 4: The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 60 days.

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ATTACHMENT 3 (Related party transactions for receivables of NT$100 million or 20 percent of capital stock for the year ended December 31, 2019)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	$158,554	4.68	$-	$-	$103,074	$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.
Note 2: The capital stock is the parent's capital stock.

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Term	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	$413,032	Note 4	7.78%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expense	52,077	According to the contract	0.98%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	35,855	Month-end 60 days	0.47%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payables	6,345	Month-end 60 days	0.08%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	581,418	Note 4	10.96%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	83,015	Month-end 60 days	1.08%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	6,230	Note 5	0.12%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Accounts receivable	1,604	Month-end 60 days	0.02%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Sales	172,738	Note 5	3.26%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Accounts receivable	34,044	Month-end 60 days	0.44%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Other receivables	30,649	Month-end 60 days	0.40%
0	Faraday Technology Corporation	Innopower Technology Corporation (Innopower)	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	63,772	Note 5	1.20%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	29,328	Month-end 60 days	0.38%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Other receivables	15,777	Month-end 60 days	0.20%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	700,381	Note 5	13.20%

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions: Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	272,676	According to the contract	3.54%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	113	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	72,899	Month-end 60 days	0.95%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	27,347	Month-end 60 days	0.75%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payable	133	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Sales	30,278	Note 5	0.57%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Contract Assets	10,189	According to the contract	0.13%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payable	5	Month-end 60 days	-
0	Faraday Technology Corporation	United Business Service Corporation	1	Sales	28,728	Note 5	0.54%
0	Faraday Technology Corporation	United Business Service Corporation	1	Accounts receivable	27,027	Month-end 60 days	0.35%
0	Faraday Technology Corporation	Grain Media Inc.	1	Rent Revenue	114	According to the contract	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Other payable	136	Month-end 60 days	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expense	4,583	According to the contract	0.09%
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	1,018	Note 5	0.02%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expense	4,450	According to the contract	0.08%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	18	Month-end 60 days	-

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

				Transactions			
No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Faraday Technology Corporation	Artery Technology Company	1	Other receivables	42	Month-end 60 days	-
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	130,218	Note 5	2.45%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Accounts receivable	77,963	Month-end 60 days	1.01%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Contract liabilities	5,365	According to the contract	0.07%
1	Faraday Technology Corporation (Suzhou)	FaradayTek Solutions India Private Limited	3	Research expense	12,620	According to the contract	0.24%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology Vietnam Company Limited	3	Research expense	5,961	According to the contract	0.11%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	20,766	Note 5	0.39%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Accounts receivable	5,546	Month-end 60 days	0.07%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	49,903	Note 5	0.94%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Accounts receivable	52,397	Month-end 60 days	0.68%

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.
For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

Faraday Technology Corporation

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation (USA)	USA	Sales representive in America	$436,907	$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	$426,414	$4,130	$5,373
Faraday Technology - B.V.I	British Virgin Islands	Trading and general investing	706,792	706,792	Common stock 22,140 thousand shares	100.00%	365,263	(7,025)	(5,868)
Faraday Technology Japan Corporation	Japan Tokyo	Sales representive in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	82,067	20,600	20,600
Chih-Hung Investment Corporation	Taiwan	General Investing	910,000	910,000	Common stock 91,000 thousand shares	100.00%	713,257	18,519	20,123
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	186,545	(2,823)	(2,811)
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	-	-	100.00%	7,790	(1,302)	(1,333)

Chih-Hung Investment Corporation

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$1,456	$1,456	Common stock 146 thousand shares	19.42%	$1,157	$(476)	$(92)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 8,000 thousand shares	100.00%	220,328	51,040	51,040
Fresco Logic Inc.	USA	IC designing	281,853	281,853	Preferred stock 5,528 thousand shares	22.61%	81,183	(24,933)	(3,646)
FaradayTek Solutions India Private Limited	India	IC design services	45	-	Common stock 10 thousand shares	1.00%	55	1,346	13

Sheng Bang Investment Corporation

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	$6,044	$6,044	Common stock 604 thousand shares	80.58%	$4,801	$(476)	$(384)
FaradayTek Solutions India Private Limited	India	IC design services	$4,462	-	Common stock 990 thousand shares	99.00%	5,407	1,346	1,333

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

Innopower Technology Corporation

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Bright Capital Group Limited	Samoa	General investing	$68,593	$68,593	Common stock 2,301 thousand shares	100.00%	$234,736	$54,813	$54,813

Faraday Technology - B.V.I

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD $12,859,205	USD $12,859,205	Common stock 12,804 thousand shares	100.00%	$87,776	$(3,066)	$(3,066)
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,604	(47)	(47)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	148,954	36,187	36,187
Artery Technology Corporation-Cayman	Cayman	General investing	USD 4,460,000	USD 4,460,000	Common stock 4,300 thousand shares	67.20%	120,927	(51,720)	(40,087)
Artery Technology Company	Taiwan	IC designing, marketing and customer service	60	-	Common stock 10 thousand shares	67.20% (Note2)	10,912	(9,697)	(6,855)

Artery Technology Corporation - Cayman

			Initial Investment		Investment as of December 31, 2019				
Investee company	Address	Main businesses and products	December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)	Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
Artery Technology Company	Taiwan	IC designing, marketing and customer service	60	-	Common stock 10 thousand shares	67.20% (Note2)	10,912	(9,697)	(6,855)

Note 1: USD are expressed in dollars.
Note 2:The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.

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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Unit:New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
Faraday Technology China Corporation	IC designing, marketing and customer service	$180,180 (USD 6,000,000)	Note 1 Note 3	$180,180 (USD 6,000,000)	$-	$-	$180,180 (USD 6,000,000)	$(3,026)	100.00%	$(3,026)	$85,129	$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	$174,174 (USD 5,800,000)	Note 4	$174,174 (USD 5,800,000)	$-	$-	$174,174 (USD 5,800,000)	$54,813	100.00%	$54,813	$234,736	$-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	$120,144 (USD 4,000,814)	Note 1 Note 5	$120,144 (USD 4,000,814)	$- $-	$-	$120,144 (USD 4,000,814)	-	100.00%	-	$448	$-
United Business Service Corporation	IC designing, marketing and customer service	$129,630 (RMB $30,000,000	Note 1 Note 6	$129,630 (RMB 3,0000,000)	$-	$-	$129,630 (RMB 3,0000,000)	$36,187	100.00%	$36,187	$148,952	$-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	$290,090 (USD 9,660,000)	Note 1 Note 7 Note 10	$133,934 (USD 4,460,000)	$-	$-	$133,934 (USD 4,460,000)	$(37,146)	67.20%	$(28,699)	$108,606	$-
United Creative Solution Corporation	IC designing, marketing and customer service	$4,321 (RMB 1,000,000)	Note 8	$-	$-	$-	$-	$(375)	100.00%	$(375)	$3,947	$-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	$4,321 (RMB 1,000,000)	Note 9	$-	$-	$-	$-	$(5)	100.00%	$(5)	$4,315	$-

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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$750,026 (Note 2) (USD 24,975,881)	$844,198 (Note 2) (USD 28,111,835)	$3,122,230

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation-Cayman.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2019.

Note 3: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of AiceStar Technology Corporation (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Brigtht Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 5,500 thousand , and the Company had remitted USD 4,460 thousand for the investment.

Note 8: United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

Note 9: United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

Note 10: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman.The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.

6. If the company or its affiliates have encountered financial difficulties in the most recent year and up to the date of publication of the annual report, the impact on the company's financial status: None

VII. Analysis of Financial Status and Performance and Risk Issues

1. Comparative analysis of financial status

Units: NTD$ Thousand

Year / Account	December 31 2019	December 31 2018	Difference	
			Amount	%
Current assets	5,022,750	4,393,723	629,027	14.32
Funds and investments	1248,219	1,099,449	148,770	13.53
Property, plant, and equipment	576,808	575,858	950	0.16
Right-of-use Assets	254,498	—	254,498	NA.
Intangible assets	550,567	691,470	(140,903)	(20.38)
Other assets	49,186	54,219	(5,033)	(9.28)
Total assets	7,702,028	6,814,719	887,309	13.02
Current liabilities	2,079,109	1,766,178	312,931	17.72
Non-current liabilities	360,179	237,180	122,999	51.86
Total liabilities	2,439,288	2,003,358	435,930	21.76
Capital	2,485,503	2,485,503	—	—
Additional paid-in capital	724,895	626,596	98,299	15.69
Retained earnings	2,446,668	2,196,490	166,537	7.58
Other equity	(369,709)	(512,210)	142,501	(27.82)
Treasury stock	—	—	—	—
Minority interest	59,024	14,982	44,042	293.97
Total equity	5,262,740	4,864,361	451,379	9.38

The major reasons for accounts with amount larger than NTD$ 10 million, and altered more than 20% are as below:

(1) Right-of-use assets: mainly due to the application of Leases Assets in IFRS16 from January 01, 2019.

(2) Intangible assets: Mainly due to continuous amortization.

(3) Non-current liabilities: mainly due to the increase in non-current leased liabilities

(4) Total liabilities: mainly due to accounts payable and the increase in non-current leased liabilities

(5) Other equity: Mainly due to the increase in the fair value of financial assets.

(6) Non-controlling equity: Mainly due to the dilution of equity of the main subsidiary

2. Comparative analysis of financial performance

(i) Comparative analysis of financial performance

Units: NTD$ Thousand

Account \ Year	2019	2018	Difference	
			Amount	%
Net Sales revenues	5,306,351	4,904,658	401,693	8.19
Operating costs	(2,506,809)	(2,299,781)	207,028	9.00
Gross profits	2,799,542	2,604,877	194,665	7.47
Operating expenses	(2,401,242)	(2,321,869)	79,373	3.42
Operating profits	398,300	283,008	115,292	40.74
Non-operating income and expenses	18,555	33,001	(14,446)	(43.77)
Pretax income	416,855	316,009	100,846	31.91
Income tax expense	(80,610)	(54,858)	25,752	46.94
Net income (loss) from continuing operations	336,245	261,151	75,094	28.76
Net income (loss) from discontinued operations	0	0	0	0
Net income	336,245	261,151	75,094	28.76
Other comprehensive income	159,498	(164,958)	324,456	(196.69)
Total comprehensive income	495,743	96,193	399,550	415.36

The major reasons for accounts with amount larger than NTD$ 10 million, and altered more than 20% are as below:

(1) All financial performance indicators for the period indicated a positive growth, with a turnover growth of 8.19%, which caused an increase in related costs and expenses, and a significant increase in net profit after tax of 28.76%.

(2) Non-operating revenue and expenses: Mainly due to the recognition of impairment losses on financial assets.

(3) Other comprehensive profit/loss: Mainly due to the increase in the fair value of financial assets.

(ii) Analysis of gross profit changes

Units: NTD$ Thousand

Gross profits	Variance from previous period	The reason for variance			
		Variance in sales price	Difference in cost price	Variance in sales mix	Difference in quantity
	194,665	220,902	(109,935)	13,054	70,645
Justification	As the NRE increases with the manufacturing process, the sales price also increases, causing the difference of selling price have a favorable impact. Besides, the MP cost price increase in this period , which causes a negative impact on the cost price difference.				

3. Cash flow analysis

1.Analysis of Cash Flow Changes during Current Year

Units: NTD$ Thousand

Cash and cash equivalents at beginning of period a	Net cash provided by operating activities b	Cash outflow	Net cash surplus (deficit) a＋b-c	Solutions for net cash deficit	
				Investing projects	Financing projects
2,387,534	853,608	465,087	2,776,055	-	-

(1)Operating activities: majorly represents the cash inflow from operating revenues

(2)Investing activities: mainly represents the cash inflow from acquisition of intangible assets

(3)Financing activities: majorly represents the cash outflow by cash dividends

2. Solutions for net cash deficit and solvency analysis: not applicable.

3. Cash flow analysis for the following year

Units: NTD$ Thousand

Cash and cash equivalents at beginning of period a	(Forecasted) Net cash provided by operating activities b	(Forecasted) Net increase (decrease) in cash and cash equivalents c	(Forecasted) Net cash surplus (deficit) a＋b-c	Solutions for net cash deficit	
				Investing projects	Financing projects
2,776,055	327,078	283,996	2,819,137	-	-

4. Impact of major capital expenditures in the most recent year on financial operations: None

5. Main reasons for the reinvestment policy and profit or loss in the most recent year, improvement plan and investment plan for the next year

(i) the reinvestment policy in the most recent year: The Company does not exercise financial investments in order to avoid market risk. We focus on strategic investments relevant to our operating activities in order to reduce the risk, and improve the control and management toward invested companies.

(ii) The main reasons for profit or loss: due to the economic downturn in the overall semiconductor industry, a part of the invested companies were still under deficits.

(iii) Improvement plan: The Company will continue to cooperate with the invested companies in operations, in order to ease the deficits

(iv) The investment plan for the next year: the investment plan for the next year will emphasize on the long-term growth program, and majorly invest in IC design firms with synergy.

6. Analysis and assessment of risk issues in the most recent year and up to the date of publication of the annual report

(i) The future solutions and influence on the Company's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent year.

1. The influence on the Company's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent two years:

The Company possesses sufficient capital, and does not have to exercise long-term borrowing, so the impact of interest rate fluctuations to the Company's short-term financing is limited. For foreign exchange rate, the Company employs accounting natural hedges, forward exchange, and foreign exchange swap to decrease the net asset position of foreign currency, along with the risk of foreign exchange fluctuations. The inflation during recent year does not cast material influence on the Company's profits or loss.

2. The future solutions:

The company will continue to trace the fluctuations of foreign exchange rate, and exercise applicable solutions.

(ii) The major reasons and future solutions for high-risk, high-leverage investments, capital lending, endorsement, and financial derivatives' trading policies, profits, or loss.

The Company does not exercise high-risk, high-leverage investments, neither capital lending nor endorsements. The Company has regulated capital lending process, endorsement process, and acquirement or disposal process of assets, as the principle for relevant matters. The Company utilizes natural hedges to reduce exchange loss.

(iii) The research and development plans, and expected investments in research and development in the future.

The significant research and development plans and forecasted investments in recent year

Project Name
Develop the platform solution of 14nm ASIC
Data exchange expansion and ASIC design for 5G network communication relevant applications
High-resolution projection display expansion and ASIC design for AR / VR relevant applications
22nm ULP/ULL standard cell library, memory compilers, I/O library, High Speed I/O Interfaces
14nm FF+ standard cell library, memory compilers, I/O library, High Speed I/O Interfaces

The anticipated investments in aforementioned research and development projects for following two years amount about NTD$ 2 billion.

(iv) The influence and solutions on the Company’s financial operations by domestic and foreign significant policy and regulation changes.

The Company has exercised appropriate solutions against domestic and foreign policy and regulation changes, and the relevant changes do not significantly impact the Company’s financial and operational situations.

(v) The influence and solutions of technology and industry changes on the Company’s financial operations.

The Company has been devoting in research and development of advanced process technology from beginning, and invested NTD$ 1,903 million in relevant research and development in 2019, which will benefit the revenue growth in the future. Currently, the Company’s financial situation is healthy, along with sufficient capital for the demand of development in technology in the future.

(vi) The influence and solutions of business image changes on corporate crisis management: None.

(vii) The anticipated benefits, risks, and solutions of merge and acquisition: None.

(viii) The anticipated benefits, risks, and solutions of expansion of factory buildings: None

(ix) The anticipated risks and solutions of concentration of stocking and sales.

There is no concentration of sales in the Company. For stocking, because the supplier is a critical shareholder with more than 10% of overall equity of Faraday Technology Corporation, and is also a famous wafer foundry in the world, the risk of stocking is considered low.

(x) The influence, risks, and solutions of significant equity transfer or changes by critical shareholders with more than 10% overall equity: None.

(xi) Influence, risks, and solutions of management right changes on the Company: Not applicable.

(xii) The Company's directors, supervisors, general manager, business owner, critical shareholders with more than 10% overall equity, and affiliates with significant litigation of final verdict or pendency, Non-contentious Cases, or administrative case that may materially influence stockholders' equity or stock prices, has to disclose the relevant fact in contention, amount, beginning date of litigation, major parties involved, and the progress by print date of the annual financial report: None.

(xiii) Other significant risks and solutions: None.

7. Other important matters: None

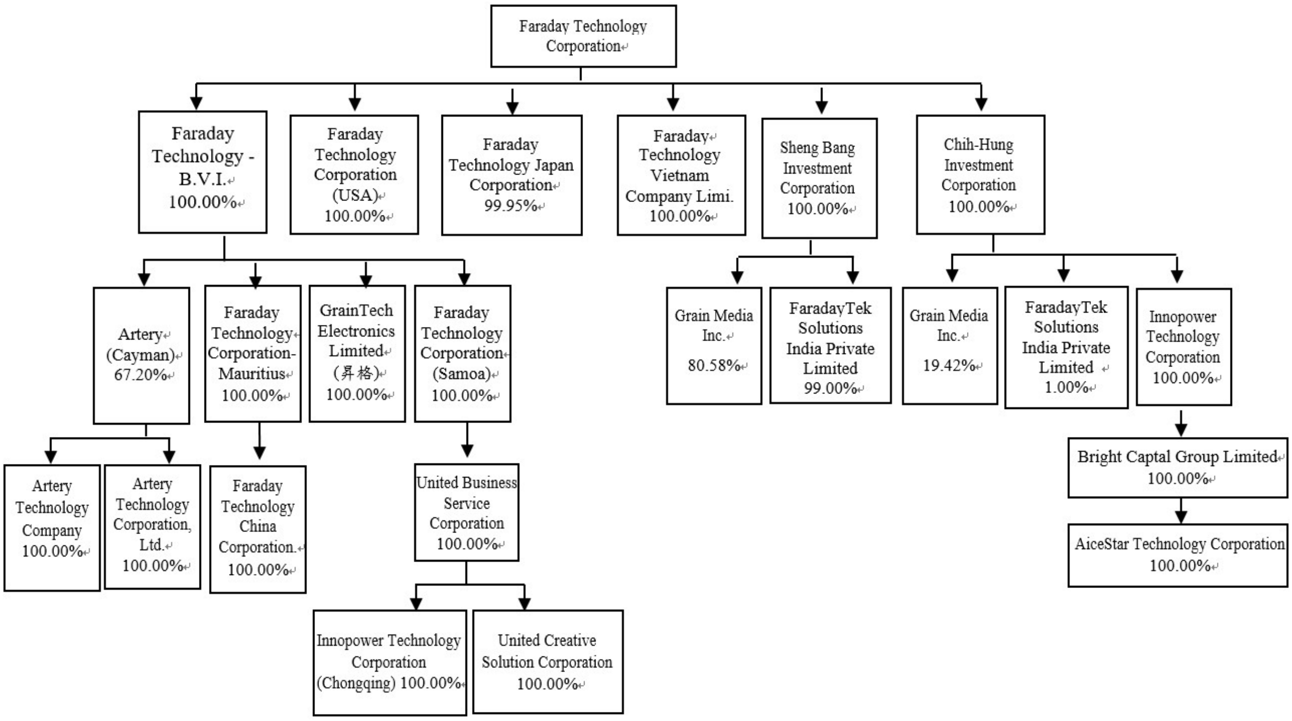
VIII. Special Items

1. Information on affiliates

(i) Consolidated operation report of affiliates

1. Brief of affiliates

(1) The organizational chart for affiliates



(2) Basic information for affiliates

Corporate Name	Established Date	Address	Contributed Capital	Major Business
Faraday Technology Corp. (USA)	1995.9.5	2860 Zanker Rd., Suite 101, San Jose, CA 95134	USD 13,058,000	The America sales representative for Faraday Technology Corporation
Faraday Technology Japan Corp.	2000.8.23	Tokyo Central Place Bldg. 3F, 22-6 Kabuto-cho, Nihonbashi Chuo-ku, Tokyo, 103-0026, Japan	¥ 100,000,000	The Japan sales representative for Faraday Technology Corporation
Faraday Technology- B.V.I.	2000.3.9	P.O. Box 3340, Road Town, Tortola, British Virgin Island	USD 22,139,586	Trading and investment
Faraday Technology Vietnam Company Limited	2019.4.4	R1201-1205, 12F, 195 Dien Bien Phu, District Binh Thanh, 700000, HCMC, VietNam	VNM 6,960,000,000	IC design
Chih-Hung Investment Corporation	2001.3.2	No.70, Shangyi St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 910,000,000	General investment
Sheng Bang Investment Corporation	2003.4.25	3F., No.1, Ln. 17, Minquan St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 222,020,000	General investment
Faraday Technology Corporation-Mauritius	2002.2.8	2F, Felix House, 24 Dr Joseph Riviere Street, Port Louis, Mauritius	USD 12,859,205	General investment

Corporate Name	Established Date	Address	Contributed Capital	Major Business
GrainTech Electronics Limited	2010.7.16	Units 3306-12, 33/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong	USD 100,000	Sales and after-sale service for IC products
Bright Capital Group Limited	2004.2.18	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 2,301,482	General investment
Grain Media Inc.	2005.12.12	8th Floor, No. 43, Shaonian Street, Hsinchu City, Taiwan (R.O.C.)	NTD 7,500,000	Sales and after-sale service for IC products
Innopower Technology Corporation	2008.8.18	5F., No.158, Sec. 1, Jiafeng 2nd St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 80,000,000	intellectual property product design
FaradayTek Solutions India Private Limited	2019.3.29	No 88 Borewell Road, Opposite Post Office, Whitefield, BANGALORE Bangalore KA 560066 IN	INR 10,000,000	IC design
Faraday Technology China Corporation	2001.3.27	Room 801, Yuanzhong Scientific Research Building, No.1905 Hongmei Rd., Shanghai, 200233, China	USD 6,000,000	Sales and after-sale service for IC products
AiceStar Technology Corporation	2007.8.10	Room 801, 8th Floor, West of Yuanzhong Research Building, 1905 Hongmei Road, Xuhui District, Shanghai, China	USD 5,800,000	Sales and after-sale service for IC products
Faraday Technology Corporation－Samoa	2015.8.20	Offshore Chambers, P.O. Box 217, Apia, Samoa.	USD 4,715,067	General investment
United Business Service Corporation	2015.10.20	Floor 10, Building 1, Jinhui, Kangtian West, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	RMB 30,000,000	Sales and after-sale service for IC products
Artery Technology Corporation - Cayman	2016.03.15	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	USD 4,460,000	General investment
Artery Technology Corporation, Ltd.	2016.06.20	Floor 9, Building 1, Jinhui, Kangtian West, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	USD 9,660,000	Sales and after-sale service for IC products
United Creative Solution Corporation	2019.08.06	Room 111, Floor 1, Building 1, No. 2007 Hongmei Road, Xuhui District, Shanghai, China	RMB 1,000,000	Sales and after-sale service for IC products
Innopower Technology Corporation (Chongqing)	2019.07.16	No. 3, No. 27, Fengsheng Road, Jiulongpo District, Chongqing, China	RMB 1,000,000	Sales and after-sale service for IC products
Artery Technology Company	2016.12.12	No. 88 Weixin Street, Zhubei City, Hsinchu County	NTD 25,897,000	Sales and after-sale service for IC products

(3) The disclosure matters of controlling and subordinate relations by Art. 369-3, Company Act by the Republic of China: None

(4) The industries relates to overall affiliates' operating businesses. If the operating businesses of affiliates are relevant to each other, the assignment of responsibilities must be illustrated:

The scope of business operations of the Company and its subsidiaries focus on IC design-related business, and a small number of affiliates include investment business in their business scope in order to strengthen vertical integration and strategic investment to meet the future operations of the Company.

(5) The equity or capital investments for affiliates by their directors, supervisors, and general managers:

March 31, 2018

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
Faraday Technology Corp. (USA)	Director	Faraday Technology Corporation Rep. : SHIH-CHIN, LIN	118,580,000 (common) 2,000,000(preferred) -	100% 100% -
Faraday Technology Japan Corp.	Director Director Supervisor	Faraday Technology Corporation Rep.: SHIH-CHIN, LIN KATO YUICHI TSENG,WEN-JU	1,999 shares - - -	99.95% - - -
Faraday Technology - B.V. I	Director	Faraday Technology Corporation Rep.: TSENG,WEN-JU	22,139,586 shares -	100% -
Faraday Technology - Vietnam Company Limited	Director	Faraday Technology Corporation Rep.: WU, QUEN-CHENG	Faraday invested USD300,000 -	100% -
Chih-Hung Investment Corporation	Director Supervisor	Faraday Technology Corporation Rep.: WANG,KUO-YUNG/ SHIH-CHIN, LIN/ CHEN,CHIEN-MING Rep.: TSENG,WEN-JU	91,000,000 shares - -	100% - -
Sheng Bang Investment Corporation	Director Supervisor	Faraday Technology Corporation Rep.: WANG,KUO-YUNG/ SHIH-CHIN, LIN/ CHEN,CHIEN-MING Rep.: TSENG,WEN-JU	22,202,000 shares - -	100% - -
Faraday Technology (Mauritius) Corp.	Director	Faraday Technology - B.V.I. Rep.: TSENG,WEN-JU	12,804,214 shares -	100% -
GrainTech Electronics Limited	Director	Faraday Technology - B.V.I. Rep.: LAI, JUNG-HSING	100,000 shares -	100% -
Bright Capital Group Limited-Samoa	Director	Innopower Technology Corporation Rep.: TSENG,WEN-JU	2,301,482 shares -	100% -
Grain Media Inc.	Director Supervisor	Chih-Hung Investment Corporation Rep.: LAI,JUNG-HSING/ HSIEH,YUNG-CHUN/ WANG,KUO-YUNG Sheng Bang Investment Corporation Rep.: TSENG,WEN-JU	146,000 shares - 604,000 shares -	19.47% - 80.53% -
Innopower Technology Corporation	Director Supervisor	Chih-Hung Investment Corporation Rep.: SHIH-CHIN, LIN/ CHEN,CHIEN-MING Rep.: TSENG,WEN-JU	8,000,000 shares - -	100% - -
FaradayTek Solutions India Private Limited	Director Director	Sheng Bang Investment Corporation Rep.: SHIH-CHIN, LIN Chih-Hung Investment Corporation Rep.: YUVARAJ MAHADEVAN	990,000 shares - 10,000 shares -	99% - 1% -
Faraday Technology China Corporation.	Director Supervisor	Faraday Technology (Mauritius) Corp Rep.: SHIH-CHIN, LIN/ JU, JUN-SHAN/ CHEN,CHIEN-MING Rep.: TSENG,WEN-JU	Mauritius invested USD6,000,000 - -	100% - -
AiceStar Technology Corporation	Director Supervisor	Bright Capital Group Limited-Samoa Rep.: CHEN,CHIEN-MING/ LIANG, CHIEH-KAI/ SHIH-CHIN, LIN Rep.: TSENG,WEN-JU	BCGL-Samoa invested USD5,800,000 - -	100% - -
Faraday Technology Corporation－Samoa	Director	Faraday Technology - B.V.I. Rep.: TSENG,WEN-JU	4,715,067 shares -	100% -
United Business Service Corporation	Director Supervisor	Faraday Technology Corporation－Samoa Rep.: WANG,KUO-YUNG/ SHIH-CHIN, LIN/ CHEN,CHIEN-MING Rep.: TSENG,WEN-JU	Faraday-Samoa invested RMB30,000,000 - -	100% - -
Artery Technology Corporation-Cayman	Director	Faraday Technology - B.V.I. Rep.: CHEN,CHIEN-MING WANG,KUO-YUNG LIN, HUNG-YU LAI, JUN-HSING SHEN, BO-JEN	4,300,000 shares 60,000 shares 80,000 shares 45,000 shares 30,000 shares -	67.20% 0.94% 1.25% 0.70% 0.47% -

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
Artery Technology Corporation, Ltd.	Director Supervisor	Artery Technology Corporation - Cayman Rep.: WANG,KUO-YUNG/ CHEN,CHIEN-MING/ LIN,HUNG-YU/ LAI, JUN-HSING/ SHEN, BO-JEN Rep.: TSENG,WEN-JU	Artery-Cayman invested USD9,660,000 - -	100% - -
United Creative Solution Corporation	Director Supervisor	United Business Service Corporation Rep.: JU,JEN-SHAN Rep.: TSENG,WEN-JU	United Business Service Corporation invested RMB1,000,000 - -	100% - -
Innopower Technology Corporation (Chongqing)	Director Supervisor	United Business Service Corporation Rep.: SHIH-CHIN, LIN Rep.: TSENG,WEN-JU	United Business Service Corporation invested RMB1,000,000 - -	100% - -
Artery Technology Company	Director	Artery Technology Corporation – Cayman Rep.: WANG,KUO-YUNG/ CHEN,CHIEN-MING/ LIN, HUNG-YU/ LAI, JUN-HSING/ SHEN, BO-JEN	2,593,745 shares -	100% -

2. Brief of Operations

March 31, 2018

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD$)
Faraday Technology Corp.(USA)	USD 13,058,000.00	USD 18,461,425.00	USD 3,874,917.55	USD 14,586,507.45	USD 5,080,766.03	USD (108,980.32)	USD (56,241.07)	–
Faraday Technology Japan Corp.	￥ 100,000,000	￥ 598,101,868	￥ 301,327,917	￥ 296,773,950	￥ 409,623,279	￥ 3,978.595	￥ 663,641	–
Faraday Technology - B.V.I.	NTD 706,173,507	NTD 414,578,751	NTD 228,500	NTD 414,350,251	–	–	NTD 33,487,712	–
Chih-Hung Investment Corporation	NTD 910,000,000	NTD 705,833,290	NTD 36,000	NTD 705,797,290	–	NTD (48,000)	NTD (3,578,792)	–
Sheng Bang Investment Corporation	NTD 222,020,000	NTD 186,888,520	NTD 28,000	NTD 186,860,520	–	NTD (24,000)	NTD 474,499	–
Faraday Technology (Mauritius) Corp.	NTD 406,711,929	NTD 122,693,220	–	NTD 122,693,220	–	–	NTD 16,171,707	–
GrainTech Electronics Limited	NTD 3,192,500	NTD 6,256,704	NTD 679,458	NTD 5,577,246	-	-	NTD (26,871)	–
Bright Capital Group Limited-Samoa	NTD 68,593,066	NTD 235,542,717	–	NTD 235,542,717	–	–	NTD 3,767,129	–
Grain Media Inc.	NTD 7,500,000	NTD 6,189,392	NTD 265,961	NTD 5,923,431	–	NTD (35,000)	NTD (35,010)	–
Innopower Technology Corporation	NTD 128,539,920	NTD 332,540,166	NTD 112,141,178	NTD 220,398,988	NTD 2,137,334	NTD 1,670,972	NTD 3,031,393	–
Faraday Technology China Corporation	CNY 43,618,000.00	CNY 254,294,082.90	CNY 226,102,971.35	CNY 28,191,111.55	CNY 94,823,418.68	CNY 4,241,611,29	CNY 3,197,956.06	–
AiceStar Technology Corporation	CNY 39,863,870.00	CNY 64,762,687.65	CNY 9,445,072.32	CNY 55,317,615.33	CNY 23,363,273.71	CNY 10,376,311.35	CNY 10,571,235.05	–
Faraday Technology Corporation－Samoa	NTD 155,220,000	NTD 170,707,071	–	NTD 170,707,071	–	–	NTD 23,716,619	–

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD$)
United Business Service Corporation	CNY 30,000,000.00	CNY 54,179,248.00	CNY 14,088,635.27	CNY 40,090,612.73	CNY 5,323,883.58	CNY (601,121.42)	CNY 54,437.44	—
Artery Technology Corporation - Cayman	NTD 325,600,850	NTD 168,884,925	NTD 200,567	NTD 168,684,358	—	NTD (790,779)	NTD (9,506,822)	—
Artery Technology Corporation, Ltd.	CNY 66,427,222.00	CNY 45,683,654.73	CNY 9,528,524.71	CNY 36,155,130.025	CNY 3,374,033.27	CNY (2,236,989,60)	CNY (1,247,358,47)	—
Artery Technology Company	NTD 25,937,450	NTD 15,597,479	NTD 2,654,159	NTD 12,943,320	NTD 6,312,246	NTD (3,295,033)	NTD (3,295,043)	—
United Creative Solution Corporation	CNY 1,000,000.00	CNY 874,729.81	CNY 24,886.27	CNY 849,843.54	-	CNY (63,444.22)	CNY (63,592.82)	-
Innopower Technology Corporation (Chongqing)	CNY 1,000,000.00	CNY 998,852.76	-	CNY 998,852.76	-	-	CNY 157,12	-
Faraday Technology Vietnam Company Limited	VNM 6,960,000,000	VNM 5,860,082,757	VNM (2,000,000)	VNM 5,862,082,757	VNM 4,540,768,000	VNM (129,633,923)	VNM (130,371,667)	-
FaradayTek Solution India Private Limited	INR 10,000,000.00	INR 21,309,611.94	INR 6,622,269.51	INR 14,687,342.43	INR 16,852,249.00	INR 2,240,697.29	INR 1,744,687.69	-

(ii) Consolidated financial statements for affiliates

The Declaration

According to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" by the Republic of China, the affiliates included in the Company's consolidated financial statements as of January 1 to December 31, 2019, are in conformity with IFRS 10, and the relevant information that should be disclosed in consolidated financial statements of affiliates has all been disclosed in the aforementioned consolidated financial reports of the parent and subsidiary companies, so there will be no separated preparation of consolidated financial statements of affiliates.

Faraday Technology Corporation

Chairman: Chia-Tsung, Hung

February 13, 2020

2. Status of private equity securities processing in the most recent year and up to the date of publication of the annual report: None
3. Holdings or disposals of the company's stock by affiliates in the most recent year and up to the date of publication of the annual report: None
4. Other necessary supplementary notes: None
5. Any matters with significant impact on shareholders' equity or securities prices as stipulated in the second paragraph of item 3 of Article 36 of the Securities Trading Law in the most recent year and up to the date of publication of the annual report: None