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WT Microelectronics Co., Ltd.

2019 Annual Report

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Annual Report is available at

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4. Name of the CPA and name, address, website, and telephone number of the accounting firm for financial statements in the most recent year:

Name of CPA: CPA Juanlu, Man-Yu, CPA Wu, Han-Chi

Accounting firm name: PricewaterhouseCoopers Taiwan

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5. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.

6. Company website:

<http://www.wtmec.com>

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I. Letter to Shareholders

Dear Shareholders:

The Group's net consolidated operating revenue in 2019 was NT\$335,187,151,000, a 22.59% growth compared with NT\$273,416,485,000 in 2018. The net profit after tax in 2019 was NT\$2,531,247,000, down NT\$247,268,000 compared to the NT\$2,778,515,000 in 2018, which is a marginal decline of 8.90%. In spite of the sluggish end market demand, our product applications all grew in 2019 due to the continued increase in market share. The growth momentum was mainly driven by smart phone products, data centers, servers, and personal mobile processing products. In addition to the development of high growth product applications and increasing customer penetration, we will continue to improve operational efficiency, optimize operational management systems, enhance our financial management system, and strengthen human resource management, in order to enhance the Company's capability to provide added value to the semiconductor industry supply chain, and thus lay the foundation for corporate sustainability.

The Group's 2019 business overview and 2020 business plan summary report are as follows:

A. 2019 Business Report

1. Business plan implementation results:

Unit: NT\$1,000

Item	2018	2019	Increase (Decrease)	Rate of change %
Operating Revenue	273,416,485	335,187,151	61,770,666	22.59
Operating Profit	5,253,715	5,253,230	(485)	(0.01)
Net profit after tax	2,778,515	2,531,247	(247,268)	(8.90)

2. Financial revenue and expenditure and profitability analysis:

Item		2018	2019
Financial structure	Debt to asset ratio (%)	76.76	76.84
	Long-term funds to fixed assets ratio (%)	2,264.71	2,542.03
Liquidity	Current ratio (%)	124.69	127.06
	Quick ratio (%)	58.45	66.00
Profitability	Return on assets (%)	4.13	3.42
	Return on equity (%)	13.27	11.18
	Net profit margin (%)	1.02	0.76
	Earnings per share (NTD) (Note)	5.02	4.32

Note: The earnings per share is based on the weighted average number of outstanding shares in the current year and the calculation using the number of weighted outstanding shares increased by retroactive adjustment of convertible corporate bonds.

3. Research and development status:

Due to the continued advancement of semiconductor processes, artificial intelligence applications have significantly improved the data processing ability of computers. 5G and WiFi 6 are starting to enter the market to provide faster, low latency, and high throughput

services and lead to the development of high bandwidth semiconductor components. This has led to the recent release of many smart, high performance applications and products in the market to meet people's needs, such as advanced driver assistance system (ADAS), AI camera, smart speaker, 400G switch and optical fiber module, and applications of SiC and GaN in electric vehicles and base stations. These have all become highlights of the next generation semiconductor industry. The Group is a distributor for key electronic components, such as: high performance x86 processors, neural embedded system image processor, high performance radio frequency components, single point infrared laser sensing component, multiple point far infrared sensing component, MEMS components, high performance microprocessors, high performance power components, high speed network switch, and high precision analog components. In an effort to provide sufficient technology to support system design and product development in these new platforms, the Group will continue to invest and accumulate system integration knowledge and technology to enhance the technical quality of overall R&D. Furthermore, the Group will continue to cooperate with world-class chip design manufacturers to provide customers with high-quality technical services and total solutions. Research and development expenditures over the last three years are shown below:

Unit: NT\$1,000

Item	2017	2018	2019
Net operating revenue	189,419,235	273,416,485	335,187,151
R&D expenses	318,726	367,592	407,103
R&D expenses as a percentage of revenue	0.17%	0.13%	0.12%

B. 2020 Business Plan Summary

1. Operating strategy:

- (1)"Professional integrity and sustainable management" is the Group's business philosophy.
- (2) The Group's consistent service tenet is to "provide services to support downstream clients by reducing their R&D pipeline and increasing their competitiveness and to assist upstream suppliers through product promotion and marketing."
- (3) Focus on performance and efficiency in order to build a solid business team.
- (4) Monitor market trends and provide customers with technology-based services.

2. Expected sales volume and its basis:

The Group's main sales products consist of various electronic components. Due to the wide variety of products and large variation in unit price, adopting sales volume as a basis for measurement is not suitable. For the Group's overall sales expectations, based on the analysis of the market and macroeconomic development, the Group's core business is expected to show steady growth in the coming year.

3. Important production and sales policies:

- (1) Introducing new product lines and entering new application markets - According to the Company's long-term development strategies and plan, introduce new product lines that meet market demand and expand the product portfolio. Strengthen product and market planning capabilities and improve the overall market positioning by expanding the penetration into the relevant automotive electronics, cloud data centers, smart Internet of Things, 5G related applications, industrial control, green energy, and medical instruments markets, among others. Strengthen the proportions of shipments of these products to continuously improve the product mix and growth rate.
- (2) Exploring new customers - For the existing customer base, optimize management capabilities, improve service quality, and continuously increase the penetration rate of the Group's products. At the same time, actively expand new production lines for high-quality new customers and existing customers, as well as new application opportunities for existing products, especially in the Group's strategic development areas of automotive electronics, cloud data centers, industrial control, and smart Internet of Things. By providing high-quality technical support and total solutions, accelerate customers' timeliness in promoting products to the market, and develop close and long-term cooperation with leaders in various fields.
- (3) Integration and flexible adjustment of resources - Resources are appropriately integrated and adjusted in response to strategy adjustments made by suppliers to maximize the Company's benefits.
- (4) Improving value-added services - Continue to create demand for vendors through solid customer relationships and rapid market response, and increase products' added value and the Group's profitability while providing solid technical support to help customers develop new products.
- (5) Effectively responding to changes in the macroeconomic environment - Changes in the global economic climate, exchange rate fluctuations, and changes in government-led economic and financial policies all affect the Group's financial and business operations and management. Therefore, in order to stabilize the Group's competitiveness in the market, the management and control capabilities with regard to inventory, the customer account collection period, accounts receivable, exchange rate hedging, and cash flow must also be improved.

C. The Group's Future Development Strategy

In order to cope with the global industrial division of labor, improve overall competitiveness, and continue to increase the return on working capital and the return on equity, the Group's positioning strategies in Asia Pacific and emerging markets include the following: first, focusing on the Group's long-term development, introducing new product lines, entering new application areas in a timely manner, and adapting to industry demands and technology trends; second, strengthening the mix of customers, product lines, and market applications to reduce

the risk of being affected by changes in a single factor; third, increase the value added to upstream vendors and downstream customers; and fourth, integrate resources of different parties through mergers and acquisitions to generate synergistic effects that will reduce operating costs and gain economies of scale. The Group aims to become an international professional semiconductor components distributor, as well as to build a comprehensive service network in the pan-Asia Pacific region and emerging regions through a comprehensive business marketing system. While actively increasing market share and expanding revenue scale in accordance with the principles of "professional integrity and sustainable management," we will continue to pursue the best interests of shareholders, employees, and customers with the support of all employees and shareholders.

For the support of all shareholders, I would like to express my most sincere gratitude to the shareholders on behalf of the Board of Directors and all the Group's employees. We will uphold our consistent business philosophy, seize opportunities for industrial development, and present superior business results to share with you.

Sincerely yours,

Chairperson: Cheng, Wen-Tsung

II. Company profile

A. Date of Establishment:

December 23, 1993

B. Company history

- 1993
 - Established Serial Semiconductor Co. (currently known as WT Microelectronics Co. Ltd.) with a registered capital of NT\$10 million. Its main business was the sale of electronic components.
- 1994
 - Purchased land and buildings in the Wanshunliao section of Shenkeng Township for office and storage use.
 - Underwent an organizational change from Serial Semiconductor Co. to Serial Semiconductor Co., Ltd.
- 1995
 - Promoted and sold the semiconductor electronic components of the US-based Texas Instruments (TI).
- 1996
 - Awarded TI's Fastest Growing Agent in Asia.
- 1997
 - Had a cash capital increase of NT\$30 million, with a total capital of NT\$40 million.
 - The office was relocated to 7F., No. 34, Section 3, Bade Road, Taipei, Taiwan.
 - Established the R&D Application Engineering Department to engage in electronic-related product design and assisted design.
 - Awarded TI's Annual of SSL Sales Reaching US\$10 million and Second Place in DSP DWIN LNR Promotion.
- 1998
 - Had a cash capital increase of NT\$40 million, with a total capital of NT\$80 million.
 - Reinvested in Wintech Microelectronics Holding Limited.
 - Established WT Microelectronics Hong Kong Branch.
 - Awarded TI's Highest Sales Revenue for CBT Series Products and DSP Best Promotion in Taiwan.
 - Awarded TI's Gold and Bronze for DSP Solution Design and Introducing Product Sales.
 - Awarded TI's Sales Gold of Specific Application Products.
 - Ranked among the top 500 in the service industry in Taiwan by China Credit Information Service Ltd.
- 1999
 - Promoted and sold semiconductor electronic components of the US-based Fairchild.
 - Had a capital increase of NT\$119.2 million out of capital reserve, with a total capital of NT\$199.2 million.
 - Promoted and sold semiconductor electronic components of the US-based SST.
 - Had a cash capital increase of NT\$50 million and a capital increase of 15 million out of earnings, with a total capital of NT\$264.2 million, and retroactively handled the public issuance of shares.
 - Promoted and sold semiconductor electronic components of the US-based LSI.
 - Had a cash capital increase of NT\$95.8 million, with a total capital of NT\$360 million.
 - Purchased the Far East Century Plaza (about 852 pings) in Zhonghe City, Taipei County for office and warehouse use.
 - Changed the Company's English name from Serial Semiconductor Co., Ltd. to Wintech Microelectronics Co., Ltd.
 - Awarded TI's Fastest Sales Growth in High-End CMOS Logic Products.

- Awarded Fairchild's Best Agent.
 - Ranked 183rd in CommonWealth Magazine's survey of revenue growth rate and 26th in employee productivity.
- 2000
- Promoted and sold semiconductor electronic components of the France-based ST.
 - Moved offices and warehouses to Far East Century Plaza in Zhonghe City.
 - Promoted and sold semiconductor electronic components of the US-based Marvell.
 - Had a cash capital increase of NT\$168 million and a capital increase of NT\$72 million out of earnings, with a total capital of NT\$600 million.
 - Reinvested in Milestone Investment Co., Ltd.
 - Reinvested in Nino Capital Co., Ltd.
 - Stock was listed on the over-the-counter market.
 - Awarded TI's Fastest Growing Agent in Taiwan and the Best Quality App.
 - Awarded Fairchild's Best Agent in Taiwan, the New Product Promotion Excellence, and the Best Agent of the Year.
 - Awarded Marvell's Best Agent of the Year.
 - Ranked 32nd among the top 100 operational performance in the manufacturing and service industry in Taiwan by CommonWealth Magazine.
- 2001
- Reinvested in Shanghai Well Tech Microelectronics Co., Ltd.
 - Reinvested in World Motion Technology Limited.
 - Had a cash capital increase of NT\$100 million and a capital increase of NT\$136 million out of earnings, capital reserve, and employee bonus, with a total capital of NT\$836 million.
 - Issued the first domestic unsecured convertible corporate bonds of NT\$300 million.
 - Issued the first employee stock warrants of 5,000 units.
 - Awarded ST's Agent for the Fastest Growing Sales in Asia.
 - Awarded Marvell's Best Agent of the Year.
 - Awarded ST's Agent with the Most Growth Promise in the Asia-Pacific Region.
 - Ranked 496th among Business Weekly's "Top 1000 Listed Companies in the Mainland, Taiwan, and Hong Kong."
 - Ranked 98th among Business Weekly's "Top 500 Service Industry Survey" and 16th in the information, communication, and IC channels.
- 2002
- Issued the second domestic unsecured convertible corporate bonds of NT\$800 million.
 - Convertible corporate bonds were converted to a share capital of NT\$44.74 million, with a total capital of NT\$880.74 million.
 - Awarded the "2001 Top 500 Outstanding Exporters/Importers" certificate issued by the Bureau of Foreign Trade, MOEA.
 - The Company's stock was listed on the Taiwan Stock Exchange.
 - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd.
 - Had a capital increase of NT\$60.04 million out of earnings, capital reserve, and employee bonuses, and convertible corporate bonds were converted to a share capital of NT\$57.24 million, with a total capital of NT\$998.01 million.
 - Reinvested in Lintek Singapore Ltd., and changed its English company name to Wintech Microelectronics Singapore Pte. Ltd.
 - Convertible corporate bonds were converted to a share capital of NT\$4.23 million, with a total capital of NT\$1.00224 billion.
 - Issued the second employee stock warrants of 2,240 units.
 - Purchased treasury shares of the Company for the first time for a total of 153 thousand shares.

- Awarded TI's for being the Outstanding Distributor Team.
 - Awarded ST's Most Steady Growth Supplier in the Past Three Years.
 - Ranked among the top 100 companies in CommonWealth Magazine's Top 500 Service Industry Surveys in terms of revenue.
 - Ranked 373rd among Business Weekly's "Top 1000 Listed Companies in the Mainland, Taiwan, and Hong Kong" and 13th in the information, communication, and IC channels.
- 2003
- Convertible corporate bonds were converted to a share capital of NT\$940 thousand, with a total capital of NT\$1.00319 billion.
 - Convertible corporate bonds were converted to a share capital of NT\$9.33 million, with a total capital of NT\$1.01251 billion.
 - Reinvested in Wintech Microelectronics Korea Co., Ltd.
 - Reinvested in Wintech Microelectronics (Malaysia) Sdn., Bhd.
 - Convertible corporate bonds were converted to a share capital of NT\$15.39 million, with a total capital of NT\$1.02791 billion.
 - Had a capital increase of NT\$71.55 million out of earnings and employee bonuses, and convertible corporate bonds were converted to a share capital of NT\$73.1 million, with a total capital of NT\$1.17256 billion.
 - Issued the third domestic unsecured convertible corporate bonds of NT\$800 million.
 - Issued the third employee stock warrants of 2,800 units.
 - Convertible corporate bonds were converted to a share capital of NT\$32.93 million, with a total capital of NT\$1.20549 billion.
 - Awarded ST's Best Apac Power Business Unit Best Application Support Manufacturer.
 - Ranked 119th in revenue and 82nd in service industry performance in the large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2003.
- 2004
- Convertible corporate bonds were converted to a share capital of NT\$8.95 million, and employee stock warrants were converted into a share capital of NT\$400 thousand, with a total capital of NT\$1.21484 billion.
 - Purchased treasury shares of the Company for the second time for a total of 3 million shares.
 - Convertible corporate bonds were converted to a share capital of NT\$20.29 million, and employee stock warrants were converted into a share capital of NT\$940 thousand, with a total capital of NT\$1.23607 billion.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2004: Ranked 67th in service industry revenue, 120th in service industry performance, and 7th in the electronic component wholesale industry.
 - Reinvested in Wintech Microelectronics (Thailand) Ltd.
 - The employee stock warrants were converted into a share capital of NT\$1.2 million, with a total capital of NT\$1.23727 billion.
 - Reinvested in Lintek Electronics Co., Ltd.
 - Reinvested in Sin Yie Investment Co., Ltd.
 - Had a capital increase of NT\$90.20 million out of earnings and employee bonuses, with a total capital of NT\$1.32748 billion.
 - Convertible corporate bonds were converted to a share capital of NT\$660 thousand, with a total capital of NT\$1.32813 billion.
 - The subsidiary, Lintek Electronics Co., Ltd., merged with NuVision Technology Inc.
 - Reinvested in NuVision Technology (Samoa) Inc.

- Reinvested in Ahead Success Co., Ltd.
 - Reinvested in Nuvision Technology (Shenzhen) Co., Ltd.
- 2005
- Promoted and sold semiconductor electronic components of SyChip.
 - Promoted and sold semiconductor electronic components of EXAR.
 - Ranked 48th among Business Weekly's 2004 Top 500 Service Industry Survey in Taiwan.
 - Convertible corporate bonds were converted to a share capital of NT\$750 thousand, with a total capital of NT\$1.32888 billion.
 - Convertible corporate bonds were converted to a share capital of NT\$2.1 million, with a total capital of NT\$1.33098 billion.
 - Promoted and sold semiconductor electronic components of the US-based CaMD.
 - Promoted and sold semiconductor electronic components of the US-based ALTERA.
 - Had a capital increase of NT\$267.4 million out of capital reserve and employee bonuses, with a total capital of NT\$1.59839 billion.
 - Reinvested in Wintech Microelectronics (Shanghai) Co., Ltd., setting up a share capital of US\$1 million.
 - Promoted and sold semiconductor electronic components of ESMT.
 - Canceled the treasury shares of the first time purchase to reduce share capital by NT\$1.53 million, with a total capital of NT\$1.59686 billion.
 - Promoted and sold semiconductor electronic components of Audiocodes.
 - Awarded ST's Best Performance Growth in Asia Pacific.
 - Ranked among Digital Age Biweekly's 2005 Top 100 Technological Companies in Taiwan.
 - Awarded by Ambarella in recognition of contribution to delivering A1 chip, the world's first HD H. 264/AVC hybrid camera SoC.
 - Awarded ST's 2005 Best Performance Growth Agent – MPG Team.
 - Awarded TI's 2005 Asia Pacific HPA Outstanding New EE Development Agent and Asset Management Performance.
 - Awarded TI's 2005 Outstanding Agent Platinum (200M\$ Club).
 - Awarded the Silver Award of TI's 2005 Highest SLL Thrust Product Excellence Agent Retail Performance.
 - Awarded ADI's 2005 Best Team in the Notebook Computer Division.
- 2006
- Ranked 84th among revenue in Business Weekly's 2005 Top 1000 Listed Companies and 116th among the Top 150 Listed Companies Revenue Growth.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2006: Ranked 6th in the electronic component wholesale industry, 46th in service industry net revenue, 136th in the mixed list of public and private businesses, and 360th in service industry performance.
 - Purchased treasury shares of the Company for the fourth time for a total of 3.616 million shares.
 - Purchased treasury shares of the Company for the fifth time for a total of 845 thousand shares.
 - Reinvested in Wintech Logistics Limited.
 - Purchased treasury shares of the Company for the sixth times for a total of 1.5 million shares.
 - Awarded the "2005 Top 500 for Outstanding Exporters/Importers" certificated issued by the Bureau of Foreign Trade, MOEA.
 - Convertible corporate bonds were converted to a share capital of NT\$550 thousand,

- and employee stock warrants were converted into a share capital of NT\$2.98 million, with a total capital of NT\$1.60039 billion.
- Had a capital increase of NT\$85.67 million out of earnings and employee bonuses, with a total capital of NT\$1.68606 billion.
 - Awarded ASUSTeK Computer's 2006 Excellent Supplier.
 - Awarded TI's Outstanding Agent in the Asia-Pacific region.
 - Awarded Fairchild's 2006 Excellent Supplier.
 - Ranked among Digital Age Biweekly's 2006 Top 100 Technological Companies in Taiwan.
- 2007
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2007: Ranked 6th in the electronic component wholesale industry, 52nd in service industry net revenue, and 134th in the mixed list of public and private businesses.
 - Issued the fourth domestic unsecured convertible corporate bonds of NT\$400 million.
 - The employee stock warrants were converted into a share capital of NT\$27.27 million, with a total capital of NT\$1.71333 billion.
 - Singapore-based Serial System Limited was dismissed as the Director and Supervisor in accordance with the law due to transferring more than one-half of the shares it held at the time of its selection as the Director and Supervisor.
 - The employee stock warrants were converted into a share capital of NT\$3.09 million, with a total capital of NT\$1.71642 billion.
 - The Company's English name was changed from Wintech Microelectronics Co., Ltd. to WT Microelectronics Co., Ltd.
 - The employee stock warrants were converted into a share capital of NT\$3.21 million, with a total capital of NT\$1.71963 billion.
 - Reinvested in WT Technology Pte. Ltd.
 - Ranked 4th in the information channel industry in CommonWealth Magazine's 2007 selection of Benchmark Enterprise Survey.
 - Had a capital increase of NT\$84.7 million out of earnings and employee bonuses, with a total capital of NT\$1.80433 billion.
 - Convertible corporate bonds were converted to a share capital of NT\$18.91 million, and employee stock warrants were converted into a share capital of NT\$4.47 million, with a total capital of NT\$1.82771 billion.
 - Awarded Altera's Asia Pacific Outstanding Performance for the third quarter of 2007.
 - Awarded the 2006 Outstanding Exporters/Importers certificated issued by the Bureau of Foreign Trade, MOEA.
 - Had a cash capital increase of NT\$250 million, with a total capital of NT\$2.07771 billion.
 - Issued the first employee stock warrants of 5,000 units for the year of 2007.
- 2008
- Convertible corporate bonds were converted to a share capital of NT\$2.57 million, and employee stock warrants were converted into a share capital of NT\$4.92 million, with a total capital of NT\$2.08520 billion.
 - Awarded ST's 2007 Fastest Growing Agent .
 - Ranked 124th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2008; ranked 6th in the electronic component wholesale industry and 48th in service industry net revenue.
 - WT and its 100% indirectly held subsidiary, Promising Investment Limited, acquired all shares of the semiconductor parts distribution business of Solomon Co. Ltd. and the Hong Kong subsidiary Solomon QCE Limited of Solomon in cash.

- The employee stock warrants were converted into a share capital of NT\$1.76 million, with a total capital of NT\$2.08696 billion.
 - Awarded the 2007 Outstanding Exporters/Importers certificated issued by the Bureau of Foreign Trade, MOEA.
 - Convertible corporate bonds were converted to a share capital of NT\$240 thousand, and employee stock warrants were converted into a share capital of NT\$11.78 million, with a total capital of NT\$2.09898 billion.
 - Had a capital increase of NT\$173.36 million out of earnings and employee bonus, with a total capital of NT\$2.27234 billion.
 - The employee stock warrants were converted into a share capital of NT\$750 thousand, with a total capital of NT\$2.27309 billion.
 - Ranked 5th in the information channel industry in CommonWealth Magazine's 2008 selection of Benchmark Enterprise Survey.
 - Purchased treasury shares of the Company for the seventh time for a total of 2.577 million shares.
 - Purchased treasury shares of the Company for the eighth time for a total of 393 thousand shares.
 - Awarded ST's 2008 Global Second Agent.
 - Awarded Pegatron & Unihan's 2008 Excellent Supplier.
 - Awarded Foxconn Technology Group's 2008 Excellent Supplier in JIT Promotion.
 - Awarded ASUSTeK Computer's 2008 Excellent Supplier.
 - Reinvested in Shanghai Welltech Microelectronics Co., Ltd. and changed its English name to Shanghai WT Microelectronics Co., Ltd.
 - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd. and changed its Chinese name to WT Microelectronics (Shenzhen) Co., Ltd.
- 2009
- The employee stock warrants were converted into a share capital of NT\$2.68 million, with a total capital of NT\$2.27577 billion.
 - Ranked 114th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2009; ranked 5th in the electronic component wholesale industry and 52nd in service industry net revenue.
 - Reinvested in Shanghai WT Microelectronics Co., Ltd. and changed its Chinese name to WT Microelectronics (Shanghai) Co., Ltd.
 - Reinvested in Shanghai Welltech Microelectronics Co., Ltd. and changed its Chinese name to Shanghai WT Microelectronics Co., Ltd.
 - Reinvested in Welltech Microelectronics (Shenzhen) Co., Ltd. and changed its English name to WT Microelectronics (Shenzhen) Co., Ltd.
 - Canceled the treasury shares of the fifth purchase to reduce share capital by NT\$6.48 million, with a total capital of NT\$2.26929 billion.
 - Canceled the treasury shares of the sixth purchase to reduce share capital by NT\$12.78 million, with a total capital of NT\$2.25651 million.
 - Purchased treasury shares of the Company for the tenth time for a total of 7.12 million shares.
 - The Company acquired all shares of Morrihan International Corp. to increase capital by NT\$ 209.08 million by share conversion, with a total capital of NT\$ 2.46559 billion.
 - Had a capital increase of NT\$36.88 million out of earnings and employee bonuses, with a total capital of NT\$2.50247 billion.
 - Awarded ST's 2009 Global First Agent.
 - Awarded Pegatron & Unihan's Excellent Supplier.
 - Ranked 5th in the information channel industry in CommonWealth Magazine's 2009

- selection of Benchmark Enterprise Reputation Survey.
- Promoted and sold semiconductor electronic components of APL.
- Awarded Moxa Technology's 2009 Excellent Supplier.
- 2010 ● Awarded ASUSTeK Computer's 2010 Excellent Supplier.
- Ranked 4th in the information channel industry in CommonWealth Magazine's 2010 selection of Benchmark Enterprise Reputation Survey.
- Ranked 85th among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2010; ranked 5th in the electronic component wholesale industry and 45th in service industry net revenue.
- Awarded ASUSTeK Computer's 2010 Best Partner.
- Awarded ASUSTeK Computer's 2010 Best Sales.
- Awarded IR's 2010 Taiwan Best Demand Creation.
- Awarded Ublox's 2010 Outstanding Distributor in Taiwan.
- Awarded ST's 2010 Special Award for the Support of PWM within the Computer Segment.
- Awarded ST's 2010 Best Performance for MSH Products.
- Awarded ST's 2010 A Profound Team Partner of 1B\$ in GC & SA Region.
- Awarded TI's Platinum Award in Recognition of Outstanding Resale Performance in the 2010 Asia Distributors Conference.
- Acquired all shares of BSI Semiconductor Pte. Ltd. and its subsidiaries in cash.
- Awarded Moxa Technology's 2010 Excellent Supplier.
- 2011 ● Increased investment in the subsidiary, Wintech Microelectronics Holding Limited, by US\$20 million, and acquired all shares of NSU Semiconductor Co., Ltd. in cash through its indirectly held subsidiary, Wintech Investment Co., Ltd.
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2011: Ranked 73rd in the mixed list of public and private businesses, 95th in service industry performance, 21st in service industry net revenue, and 3rd in electronic component wholesale.
- Ranked 21st among the service industry and 3rd in the information, communication, and IC channel category in CommonWealth Magazine's 2011 Top 1000 Business Survey.
- The employee stock warrants were converted into a share capital of NT\$16.7 million, with a total capital of NT\$2.51917 billion.
- The employee stock warrants were converted into a share capital of NT\$4.04 million, with a total capital of NT\$2.52321 billion.
- Had a capital increase of NT\$49.88 million out of earnings, with a total capital of NT\$2.57309 billion.
- Had a cash capital increase of NT\$300 million, with a total capital of NT\$2.87309 billion.
- The employee stock warrants were converted into a share capital of NT\$2.73 million, with a total capital of NT\$2.87582 billion.
- The employee stock warrants were converted into a share capital of NT\$6.42 million, with a total capital of NT\$2.88224 billion.
- Ranked among Business Next Biweekly's 2011 Top 100 Technological Companies in Taiwan and Asia.
- Awarded the 2011 Best Innovation, ST Microelectronics GC & SA Region, Distribution Sales Convention, Sept. 18~22, 2011, Sanya, China.
- Awarded the 2011 Best Performance, ST Microelectronics GC & SA Region, Distribution Sales Convention, Sept. 18~22, 2011, Sanya, China.

- Awarded Etasis Electronics Corp.'s 2011 Best Partner of the Year.
 - Awarded Orient Semiconductor Electronics Limited's 2011 Excellent Supplier.
- 2012
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2012: Ranked 67th in the mixed list of public and private businesses, 88th in service industry performance, 21st in service industry net revenue, and 4th in electronic component wholesale.
 - The Company acquired all shares of Techmosa International Inc. to increase capital by NT\$ 404.5 million by share conversion, with a total capital of NT\$3.28674 billion.
 - The employee stock warrants were converted into a share capital of NT\$5.3 million, with a total capital of NT\$3.29204 billion.
 - The employee stock warrants were converted into a share capital of NT\$1.46 million, with a total capital of NT\$3.2935 billion.
 - Canceled the treasury shares of the tenth purchase to reduce share capital by NT\$26.2 million, had a capital increase of NT\$98 million out of earnings, with a total capital of NT\$3.3653 billion.
 - The employee stock warrants were converted into a share capital of NT\$6.46 million, with a total capital of NT\$3.37176 billion.
 - Awarded Freescale's 2012 Asia Distribution Distinction for the Highest Customer Count Growth Regional Distributor.
 - Awarded TI's Outstanding Resale Performance, Platinum Award.
 - Ranked 21st among the service industry and 3rd in the information, communication, and IC channel category in Commonwealth Magazine's 2012 Top 1000 Business Survey.
- 2013
- The employee stock warrants were converted into a share capital of NT\$3.89 million, with a total capital of NT\$3.37565 billion.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2013: Ranked 65th in the mixed list of public and private businesses, 19th in service industry net revenue, and 2nd in electronic component wholesale.
 - Awarded EXAR's Best Continuing Grow-Up On BIZ Revenues and Demand Creation's Performances in the Past Six Quarters.
 - Awarded ASUSTeK Computer's Excellence Supplier.
 - The Company acquired all shares of MSD Holdings Pte. Ltd. in cash.
 - Reinvested in NSU Semiconductor Co., Ltd. and changed its English name to WT Technology Korea Co., Ltd.
 - Awarded the Best Demand Creation (Industrial & Power Group) 2013, ST Microelectronics GC&SA, Annual Distribution Sales Convention, 2-6 September 2013, Macau.
 - Awarded FSP Technology Inc's 2013 Excellent Supplier.
- 2014
- Had a capital increase of NT\$168.78 million out of earnings, with a total capital of NT\$3.54443 billion.
 - Reinvested in Anius Enterprise Co., Ltd.
 - Reinvested in Mega Source Co., Ltd.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2014: Ranked 61st in the mixed list of public and private businesses, 17th in service industry net revenue, and 1st in electronic component wholesale.
 - Ranked 20th in the service industry and 3rd in the information, communication, and IC channel category, in Commonwealth Magazine's 2013 Top 2000 Business Survey.

- Awarded the "2014 Top 500 for Outstanding Exporters/Importers" certificated issued by the Bureau of Foreign Trade, MOEA (ranked 292nd).
 - Awarded Texas Instruments' in Recognition of Achieving \$1B Milestone.
 - Awarded Freescale's 2013 Asia Distribution Distinction for Best Performing Regional Distributor in the Greater China.
 - Awarded Orient Semiconductor Electronics Limited's 2013 Excellent Supplier.
 - Awarded Whetron Electronics Co., Ltd.'s 2013 Supplier Excellence.
 - Donated NT\$30 million to establish the WT Education Foundation.
- 2015
- Had a cash capital increase of NT\$525 million, with a total capital of NT\$4.06943 billion.
 - Ranked 4th in Asia Pacific and 4th in the world in Gartner's 2014 Semiconductor Channel Distributors Market Survey.
 - Ranked 67th among CommonWealth Magazine's 2014 Top 2000 Business Survey, 18th in the service industry, and 3rd in the information, communication, and IC channel category.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2015: Ranked 52nd in the mixed list of public and private businesses, 14th in service industry net revenue, and 1st in electronic component wholesale.
 - Received ST's 2014 Best Demand Creation for Memory, Microcontrollers, & Secure Microcontrollers Division.
 - Awarded Fairchild Distributor of the Year 2014.
 - Awarded Freescale's 2014 Outstanding Reference Design Team.
 - Awarded Orient Semiconductor Electronics Limited's 2014 Excellent Supplier.
 - Awarded the UK-based Quixant's 2014 Best Partner.
 - Had a capital increase of NT\$406.94 million out of earnings, with a total capital of NT\$4.47638 billion.
 - The Company obtained the ISO 9001:2008 Quality Management System Certificate and the 14001:2004 Environmental Management System Certificate.
 - The subsidiary, WT Microelectronics (Shanghai) Co., Ltd., obtained real estate for business in Shanghai.
- 2016
- The subsidiary, WT Technology Korea Co., Ltd., absorbed the subsidiary BSI Semiconductor (Korea) Co., Ltd.
 - Awarded Texas Instruments' in Recognition of Year 2015 for Outstanding MM Growth WT Taiwan, Outstanding MM Growth WT China, Outstanding MM Growth WT Asia, and Excellent Distributor Partner WT Asia.
 - Awarded Freescale's 2015 Outstanding Performance Award in Market Penetration.
 - Ranked 16th in the service industry in CommonWealth Magazine's 2015 Top 2000 Business Survey and 2nd in the information, communication, and IC channel category.
 - Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2016: Ranked 49th in revenue among companies in mixed industries, 14th in service industry net revenue, and 2nd in the electronic component wholesale industry.
 - Awarded ST's 2015 Best Demand Creation – Digital Product Group, Best Partnership – China, and Best Performance-Gold.
 - Ranked among the top 21%-35% bracket of the 2nd Corporate Governance Evaluation in 2015.
 - The Company invested US\$20 million to increase the capital of Wintech Microelectronics Holding Limited, an important subsidiary, and subsequently

reinvested the same amount to the subsidiaries Promising Investment Limited and Rich Web Ltd. and the Mainland subsidiary WT Microelectronics (Shenzhen) Co., Ltd.

- Issued the fifth domestic unsecured convertible corporate bonds for NT\$1.5 billion.
- Had a capital increase of NT\$223.82 million out of earnings, with a total capital of NT\$4.7002 billion.
- Convertible corporate bonds were converted to a share capital of NT\$15 million, with a total capital of NT\$4.7152 billion.
- Increased the capital of the subsidiary, Morrihan International Corp. by NT\$1 billion in cash.

2017

- Awarded Texas Instruments' in Recognition of Year 2016 (NonCF) 1B Milestone Achievement.
- Awarded ST's 2016 Best Agent in Taiwan.
- Awarded ON Semiconductor's 2016 Best Distributor Award in Taiwan.
- Awarded Foxconn's 2016 Outstanding Supplier Award.
- Ranked 12th in the service industry in CommonWealth Magazine's 2016 Top 2000 Business Survey, 3rd in the information, communication, and IC channel category, 36th in the service industry's fastest growing category, and 36th in the service industry's most profitable companies category.
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2017: Ranked first in the electronic component wholesale industry, 10th in service industry revenue, 41st in the revenue among companies in mixed industries, and 151st in service industry performance.
- Convertible corporate bonds were converted to a share capital of NT\$57.03 million, with a total capital of NT\$4.77223 billion.
- Ranked among the top 6%-20% of the 3rd Corporate Governance Evaluation in 2016.
- Awarded ST's Asia Pacific Best Agent.
- Awarded ST's Asia Pacific Best Agent for Memory Products.
- Awarded Foxconn (Wuhan) Technology Group's 2017 Best Cooperative Agent.
- Awarded Foxconn CESBG's 2017 Best Partner.
- The Company acquired 100% of all shares of Maxtek Technology Co., Ltd. converted by cash consideration.
- Increased the capital of the subsidiary, Morrihan International Corp. by NT\$1.6 billion in cash.
- Awarded first place in Qisda's 2017 H2 supplier evaluation.

2018

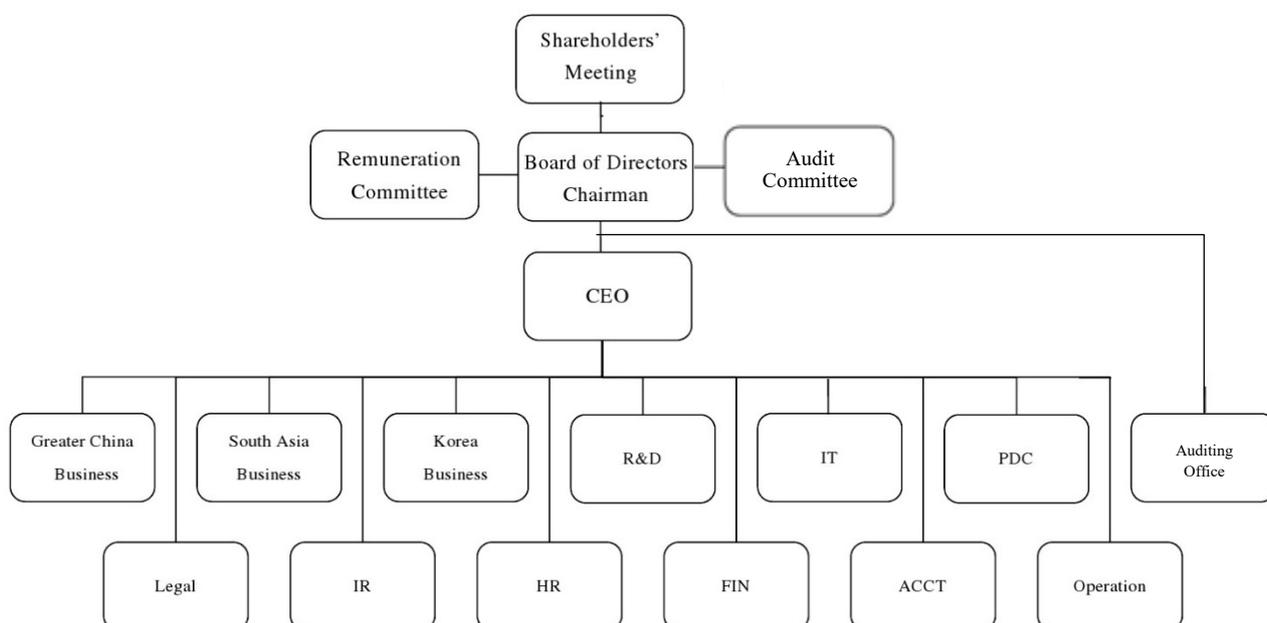
- Awarded INVENTEC's 2017 Best Supplier.
- Awarded ON Semiconductor Corporation's 2017 Top Distribution Partner in APAC.
- Had a cash capital increase of NT\$750 million, with a total capital of NT\$5.52223 billion.
- Convertible corporate bonds were converted to a share capital of NT\$3.22 million, with a total capital of NT\$5.52545 billion.
- Ranked among the top 6%-20% of the 4th Corporate Governance Evaluation in 2017.
- Ranked 10th in the service industry in CommonWealth Magazine's 2017 Top 2000 Business Survey, 3rd in the information, communication and IC channel category, 28th in the service industry's fastest growing category, and 27th in the service industry's most profitable companies category.
- Ranked among the Top 5000 large-scale enterprises surveys in Taiwan conducted by the China Credit Information Service in 2018: Ranked first in the electronic component wholesale industry, 6th in service industry revenue, and 33rd in revenue among companies in mixed industries.

- Awarded ST's 2018 Best Partnership (Taiwan), Best Growth STD Products Award and Best Performance (Gold Award).
 - Awarded GIGABYTE's 2018 Best Agent.
 - First release of the Chinese version of the 2017 Corporate Social Responsibility Report.
 - Awarded the 2018 Great support to Dell NB Business.
- 2019
- Convertible corporate bonds were converted to a share capital of NT\$50.66 million, with a total capital of NT\$5.57611 billion.
 - First release of the English version of the 2017 Corporate Social Responsibility Report.
 - Ranked among the top 6%-20% of the 5th Corporate Governance Evaluation in 2018.
 - Ranked 6th in the service industry in CommonWealth Magazine's 2018 Top 2000 Business Survey, 3rd in the information, communication and IC channel category, 24th in the service industry's fastest growing category, and 26th in the service industry's most profitable companies category.
 - Convertible corporate bonds were converted to a share capital of NT\$290.32 million, with a total capital of NT\$5.86643 billion.
 - Issued the sixth domestic unsecured convertible corporate bonds for NT\$1.2 billion.
 - Convertible corporate bonds were converted to a share capital of NT\$36.93 million, with a total capital of NT\$5.90336 billion.
 - Awarded NXP's 2018 Outstanding Performance in Demand Creation.
 - Awarded Korenix Technology's 2018 Best Partner of the Year.
 - Awarded Inventec Appliances' 2019 Excellent Supplier.
- 2020
- Convertible corporate bonds were converted to a share capital of NT\$11.01 million, with a total capital of NT\$5.91437 billion.

III. Corporate Governance Report

A. Company organization

1. Organization chart



2. Business operations of major departments

Departments	Business Operations
Business	Responsible for the sales of goods, with different locations in Greater China, South Asia and Korea.
R&D	Responsible for research and development of new products and technologies
IT	Responsible for the construction, integration and control of information systems
PDC	Including Warehouse Department and Shipping Department
Auditing Office	Responsible for business implementation assessments, audits, supervision and recommendations for improvement of various departments
Legal	Responsible for the management of corporate legal affairs, litigation and business contracts
Investor Relations	Responsible for the service matters of legal persons and public relations
Human Resources	Responsible for the management of human resources
Finance	Responsible for capital management and bank transactions
Accounting	Responsible for accounting summaries of company transactions and tax return filings and planning
Management	Including GA Department, VSR Department, and CSR Department

B. Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices

1. Information on Directors

(1) Information on Directors:

January 31, 2020

Title	Nationality or place of registration	Name	Gender	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
Chairperson	ROC	Cheng, Wen-Tsung	Male	2019.6.21	3	1994.11.11	28,177,112	4.79%	28,177,112	4.75%	8,356,543	1.41%	0	0%	Tungshai University Chairperson, WT Microelectronics Co., Ltd.	President, WT Microelectronics Co., Ltd. Chairperson, Nuvision Technology, Inc. Chairperson, Techmosa International Inc. Chairperson, Morrihan International Corp. Chairperson, Maxtek Technology Co., Ltd. Chairperson, Hongtech Electronics Co., Ltd. Chairperson, Milestone Investment Co., Ltd. Chairperson, SinYie Investment Co., Ltd. Chairperson, Shaoyang Investment Co., Ltd. Director, WT Microelectronics (Hong Kong) Limited Director, Promising Investment Limited Director, Wen You Investment Co., Ltd. Director, Tang Ye Investment Co., Ltd. Director, WT Technology(H.K.) Limited Director, WT Technology Pte. Ltd. Director, WT Microelectronics Singapore Pte. Ltd. Director, Wintech Microelectronics Ltd. Director, Wintech Microelectronics Holding Limited Director, Wintech Microelectronics Limited Director, Wintech Investment Co., Ltd. Director, WT Microelectronics (Malaysia) Sdn. Bhd. Director, WT Solomon QCE Limited Representative Director, Wonchang Semiconductor Co., Ltd. Representative Director, WT Technology Korea Co., Ltd. Director, BSI Semiconductor Pte. Ltd. Director, Morrihan Singapore Pte. Ltd. Director, Techmosa International Holding Ltd. Director, MSD Holdings Pte. Ltd. Director, Anius Enterprise Co., Ltd. Director, Mega Source Co., Ltd. Director, Lacewood International Corp. Director, Best Winner International Development Ltd. Director, Maxtek International (HK) Limited	Director and Senior Vice President	Hsu, Wen-Hung	Spouse	Note 2
Directors	ROC	Hsu, Wen-Hung	Female	2019.6.21	3	2005.05.25	8,356,543	1.42%	8,356,543	1.41%	28,177,112	4.75%	0	0%	National Chengchi University Senior Vice President, WT Microelectronics Co., Ltd.	Senior Vice President, WT Microelectronics Co., Ltd. Representative of Legal Person Director, Nuvision Technology Inc. Representative of Legal Person Director, Morrihan International Corp. Representative of Legal Person Director, JCD Optical (Cayman) Co., Ltd. Director, WT Microelectronics (Hong Kong) Limited Director, WT Microelectronics (Thailand) Limited.	Chairperson and President	Cheng, Wen-Tsung	Spouse	None

Title	Nationality or place of registration	Name	Gender	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
																Director, WT Technology Pte. Ltd. Director, WT Microelectronics Singapore Pte. Ltd. Director, WT Microelectronics (Malaysia) Sdn. Bhd. Director, WT Technology(H.K.) Limited Director, WT Solomon QCE Limited Director, Wonchang Semiconductor Co., Ltd. Director, WT Technology Korea Co., Ltd. Director, BSI Semiconductor Pte. Ltd. Director, MSD Holdings Pte. Ltd. Director, Asia Latest Technology Limited Director, Maxtek International (HK) Limited Director, WT Microelectronics India Private Limited Chairperson, Wen You Investment Co., Ltd. Chairperson, Tang Ye Investment Co., Ltd. Supervisor, Shaoyang Investment Co., Ltd.				
Director	ROC	Wen You Investment Co., Ltd.	—	2019.6.21	3	2019.6.21	1,359,204	0.23%	1,359,204	0.23%	—	—	—	—	—	—	—	—	—	None
Legal Representative	ROC	Cheng, Ken-Yi	Male	2019.6.21	3	2002.06.17	0	0%	0	0%	0	0%	0	0%	Department of Accounting, Feng Chia University Vice President, Hung Yang Venture Capital Co., Ltd. Assistant Manager, Taiwan International Securities Co., Ltd.	Director, Grand Fortune Securities Co., Ltd. Director, Solytech Enterprise Corporation Director, Shieh Yih Machinery Industry Co., Ltd. Independent Director, Holy Stone Enterprise Co., Ltd. Independent Director, Prolific Technology Inc. Supervisor, Leader Electronics Inc.	None	None	None	None
Director	ROC	Kao, Hsin-Ming	Female	2019.6.21	3	2009.06.16	4,474,434	0.76%	4,474,434	0.76%	0	0%	0	0%	EMBA, International Business, National Taiwan University Section Head, Electronics Research Institute, Institute for Industrial Research	Chairperson and CEO, Marketech International Corp. Chairperson, Macrotec Technology Corp. Chairperson, JI-XUAN Investment Corp. Chairperson, Smart Health Corporation Supervisor, ProbeLeader Co., Ltd.	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
Independent Director	ROC	Cheng, Tien-Chong	Male	2019.6.21	3	2016.6.3	0	0%	0	0%	0	0%	0	0%	MBA, Santa Clara University, USA CEO, FIH Mobile Limited, subsidiary of Foxconn Technology Group Vice President, Foxconn Technology Group President, Texas Instruments Asia President, HP China	Director, Aurotek Corporation Director, Jorjin Technologies Inc. Independent Director, Hangzhou Hikvision Digital Technology Co., Ltd.	None	None	None	None
Independent Director	ROC	Kung, Ju-Chin	Female	2019.6.21	3	2016.6.3	0	0%	0	0%	0	0%	0	0%	CPA of Taiwan, USA and China MBA, University of California, USA Master of Laws, National Chengchi University Assistant Manager, PricewaterhouseCoopers	President, Cite Media Holding Group CEO, Cite Cultural & Arts Foundation Supervisor, CoAsia Microelectronics Corp. Managing Director, Magazine Business Association of Taipei Associate Professor, China Industrial & Commercial Research Institute	None	None	None	None
Independent Director	ROC	Lin Che-Wei	Male	2019.6.21	3	2019.6.21	0	0%	0	0%	0	0%	0	0%	MS of Electronic Engineering, University of Missouri, USA Vice President, VIA Technologies, Inc.	Supervisor, Home Vigorous Technical Corp. Director, Applied Optoelectronics, Inc. Director, iCatch Technology, Inc. Corporate Director Representative and President, ASMedia Technology Inc.	None	None	None	None

Note 1: The total number of shares used to calculate the shareholding percentage was based on the total number of outstanding shares of 592,604,419.

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers):

The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:

- a. The three independent directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.
- b. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
- c. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
- d. Over half of the directors in the Board of Directors do not concurrently serve as an employee or executive officer.

(2) Major shareholders of the institutional shareholders:

January 31, 2020

Name of corporate shareholder	Major shareholders of the corporate shareholders:	Shareholding ratio (%)
Wen You Investment Co., Ltd.	Hsu, Wen-Hung	82.95
	Cheng, Wen-Tsung	5.68
	Bi-Chun Xu	2.08
	Cherry Hsu	2.08
	Cheng, Hui-Shan	7.21

(3) Professional Qualifications and Independence Analysis of Directors:

February 17, 2020

Qualifications	Has at least 5 years of work experience and meet one of the following professional qualifications			Compliance of independence (Note)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Cheng, Wen-Tsung			✓					✓	✓		✓	✓		✓	✓	0
Hsu, Wen-Hung			✓					✓	✓		✓	✓		✓	✓	0
Wen You Investment Co., Ltd. Representative: Cheng, Ken-Yi			✓	✓	✓	✓	✓	✓	✓		✓		✓	✓		2
Kao, Hsin-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, Tien-Chong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kung, Ju-Chin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Che-Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If the director meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company,

- subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- c. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
 - d. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
 - e. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - f. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - g. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - h. Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - i. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
 - j. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
 - k. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
 - l. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

January 31, 2020

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
President	ROC	Cheng, Wen-Tsung	Male	1993.12.23	28,177,112	4.75%	8,356,543	1.41%	0	0%	Tunghai University Chairperson, WT Microelectronics Co., Ltd.	Please refer to page 17.	Senior Vice President	Hsu, Wen-Hung	Spouse	Note 2
Senior Vice President	ROC	Hsu, Wen-Hung	Female	2005.02.01	8,356,543	1.41%	28,177,112	4.75%	0	0%	National Chengchi University Senior Vice President, WT Microelectronics Co., Ltd.	Please refer to page 17-18.	Chairman and President	Cheng, Wen-Tsung	Spouse	None
Senior Vice President	ROC	Jack Yang	Male	2000.03.01	1,012,155	0.17%	2,341	0.00%	0	0%	National Chin-Yi University of Technology Senior Vice President, WT Microelectronics Co., Ltd. Texas Instruments Incorporated	None	None	None	None	None
Senior Vice President	ROC	James Wen	Male	2004.01.01	427,746	0.07%	194,556	0.03%	0	0%	Tungnan University Senior Vice President, WT Microelectronics Co., Ltd. Xingqiang Electronics Co., Ltd.	None	None	None	None	None
Senior Vice President	ROC	Rick Chang	Male	2012.01.01	225,070	0.04%	17,423	0.00%	0	0%	China University of Science and Technology Senior Vice President, WT Microelectronics Co., Ltd. DFI Inc.	None	None	None	None	None

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
Vice President	ROC	Willie Sun	Male	2005.08.01	476,543	0.08%	26,403	0.00%	0	0%	Ph.D., National Central University Vice President, WT Microelectronics Co., Ltd. Lecturer, Kuang Wu Institute of Technology	None	None	None	None	None
Vice President and Chief Accountant	ROC	Yang, Hsing-Yu	Female	2008.04.11	337,336	0.06%	0	0%	0	0%	Department of Accounting, Tunghai University Master of Accounting, Soochow University Vice President and Chief Accountant, WT Microelectronics Co., Ltd. Taiwan Tele-Shop Co., Ltd. Co., Ltd.	Supervisor, Wonchang Semiconductor Co., Ltd. Supervisor, WT Technology Korea Co., Ltd. Supervisor, Nuvision Technology Inc. Representative of Legal Supervisor, AboveE Technology Inc. Representative of Legal Supervisor, Morrihan International Corp. Representative of Legal Supervisor, Hotech Electronics Corp.	None	None	None	None
Assistant Vice President and Finance Supervisor	ROC	Jason Lu	Male	2007.06.01	474,800	0.08%	0	0	0	0%	Master of Finance, National Taiwan University of Science and Technology Assistant Vice President and Finance Supervisor, WT Microelectronics Co., Ltd.	None	None	None	None	None

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)	Number of shares	Shareholding ratio (Note 1)			Title	Name	Relationship	
											Junior Manager, Jih Sun International Bank					

Note 1: The total number of shares used to calculate the shareholding percentage was based on the total number of outstanding shares of 592,604,419.

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed:

The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:

- a. The three independent directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.
- b. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute to enhance Board performance.
- c. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
- d. Over half of the directors in the Board of Directors do not concurrently serve as an employee or executive officer.

3. Remunerations to directors, supervisors, president, and vice presidents in recent years

(1) Remuneration to directors and independent directors

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to net income after tax (Note 10)		Pay received as an employee						Ratio of total compensation (A + B+ C+ D+ E+ F+ G) to net income after tax (Note 10)		Remuneration received from invested companies other than subsidiaries or the parent company (Note 11)		
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Business expense (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Pension (F)		Employee compensation (G) (Note 6)						
		The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock		The Company	All Consolidated Entities (Note 7)
General Director	Cheng, Wen-Tsung	0	0	0	0	NT\$6,000,000	NT\$6,000,000	0	0	0.24%	0.24%	NT\$18,911,000	NT\$18,911,000	0	0	0	0	0	0	0.98%	0.98%	None
	Hsu, Wen-Hung																					
	Wen You Investment Co., Ltd. Representative: Cheng, Ken-Yi																					
	Kao, Hsin-Ming																					
Independent Director	Cheng, Tien-Chong	0	0	0	0	NT\$4,500,000	NT\$4,500,000	0	0	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
	Kung, Ju-Chin																					
	Lin Che-Wei																					

*1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Remuneration Bracket Table for Directors and Independent Directors

Range of remuneration paid to each director	Name of director			
	Total amount of (A+B+C+D)		Total amount of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities (I)	The Company	All Consolidated Entities (J)
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Directors: Cheng, Wen-Tsung, Hsu, Wen-Hung, Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi, Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, Lin, Che-Wei	Directors: Cheng, Wen-Tsung, Hsu, Wen-Hung, Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi, Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, Lin, Che-Wei	Directors: Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi, Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, Lin, Che-Wei	Directors: Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi, Kao, Hsin-Ming Independent Directors: Cheng, Tien-Chong, Kung, Ju-Chin, Lin, Che-Wei
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			Directors: Hsu, Wen-Hung	Directors: Hsu, Wen-Hung
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)			Directors: Cheng, Wen-Tsung	Directors: Cheng, Wen-Tsung
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	7	7	7	7

Note 1: The names of the directors shall be separately listed (for legal person shareholders, the names of legal person shareholders and representatives shall be listed separately), directors and independent directors shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. If the director is also the president or vice president, this table and the remuneration table for president and vice president shall be filled out.

Note 2: Refers to the remuneration to directors (including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.) in the most recent year (2019).

Note 3: Refers to the amount of remuneration to directors as approved by the Board of Directors for the most recent fiscal year; on February 15, 2020, the Board of Directors passed the 2019 directors and supervisors' remuneration of NT\$10,500,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 4: Refers to the relevant business expenses of directors (including travel expenses, special disbursements, allowances, accommodation, company car, and other physical items) for the most recent year (2019). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration.

Note 5: All pays to the director who is also an employee of the Company (including the position of president, vice president, other executive officer and staff), including salary,

additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year (2019). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

- Note 6: Refers to the employees' compensation (including stocks and cash) received by a director who is also an employee (including the position held concurrently as president, vice President, other executive officers, or an employee) for the most recent year (2019); on February 15, 2020, the Board of Directors passed the 2019 employees' compensations of NT\$29,300,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.
- Note 7: The total pay to the directors from all companies in the consolidated statements (including the Company).
- Note 8: Refers to the total remuneration paid to each director by the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.
- Note 9: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each director of the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.
- Note 10: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$2,530,940,000 in the standalone financial statements for the most recent year (2019).
- Note 11: a. This column is for the amount of relevant remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company.
b. Where the Company's directors received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.
- * The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

(2) Remuneration to supervisors: N/A.

(3) Remunerations to the president and vice presidents

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonus and special allowance (C) (Note 3)		Employee compensation (D) (Note 4)				Ratio of total remuneration (A+B+C+D) to net income after tax (Note 8)		Remuneration received from invested companies other than subsidiaries or the parent company (Note 9)
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company		All Consolidated Entities (Note 5)		The Company	All Consolidated Entities (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Cheng, Wen-Tsung	NT\$37,020,000	NT\$37,020,000	NT\$269,000	NT\$269,000	NT\$28,236,000	NT\$28,236,000	0	0	0	0	2.59%	2.59%	None
Senior Vice President	Hsu, Wen-Hung													
Senior Vice President	Jack Yang													
Senior Vice President	James Wen													
Senior Vice President	Rick Chang													
Vice President	Willie Sun													
Vice President	Yang, Hsing-Yu													

Remuneration Bracket Table for President and Vice Presidents

Range of remuneration paid to president and vice presidents	Names of president and vice presidents	
	The Company (Note 6)	All Consolidated Entities (E) (Note 7)
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Hsu, Wen-Hung, Willie Sun, Rick Chang, and Yang, Hsing-Yu	Hsu, Wen-Hung, Willie Sun, Rick Chang, and Yang, Hsing-Yu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Cheng, Wen-Tsung, James Wen, and Jack Yang	Cheng, Wen-Tsung, James Wen, and Jack Yang
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	7	7

Note 1: The names of the president and vice presidents shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. Fill out this table and the remuneration table for directors and independent directors if the director is also the president or vice president.

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the president or vice president in the most recent year (2019).

Note 3: Refers to the remuneration paid to the president or vice president, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year (2019). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 4: Refers to the amount of compensation distributed to the president and vice presidents approved by the Board of Directors in the most recent year; on February 15, 2020, the Board of Directors passed the 2019 employees' compensations of NT\$29,300,000, and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

- Note 6: Refers to the total remunerations paid to each president and vice president by the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.
- Note 7: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each president and vice president of the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.
- Note 8: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$2,530,940,000 in the standalone financial statements for the most recent year (2019).
- Note 9: a. This column is for the amount of relevant remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company.
- b. Where the Company's president and vice president received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
- c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.
- * The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

(4) Names of executive officers that received employee bonuses and status of the distribution

December 31, 2019

	Title	Name	Stock (Note 1)	Cash (Note 1)	Total	Ratio accounted compared to the total net income (%) (Note 2)
Executive officers	President	Cheng, Wen-Tsung	0	0	0	0%
	Senior Vice President	Hsu, Wen-Hung				
	Senior Vice President	Jack Yang				
	Senior Vice President	James Wen				
	Senior Vice President	Rick Chang				
	Vice President	Willie Sun				
	Vice President and CFO	Yang, Hsing-Yu				
	Assistant Vice President and Finance Supervisor	Jason Lu				

Note 1: Refers to the amount of employee compensation distributed to executive officers approved by the Board of Directors (on February 15, 2020) in the most recent year; the total amount of the proposed employee compensation for distribution was NT\$29,300,000, and the proposed amount to be distributed in 2019 is tentatively estimated based on the calculation principle of last year's actual distribution.

Note 2: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax of NT\$2,530,940,000 in the standalone financial statements for the most recent year (2019).

4. Compare and describe separately the analysis of total remunerations paid to the Company's directors, supervisors, president, and vice presidents for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks:

Title	2018				2019			
	Total amount of remuneration (Unit: NT\$ thousands)		Ratio of the total amount to net income after tax (%) (Note)		Total amount of remuneration (Unit: NT\$ thousands)		Ratio of the total amount to net income after tax (%) (Note)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Directors	9,000	9,000	0.32	0.32	10,500	10,500	0.42	0.42
Supervisors	3,000	3,000	0.11	0.11	0	0	0	0
President and Vice Presidents	75,052	75,052	2.70	2.70	65,525	65,525	2.59	2.59
Total	87,052	87,052	3.13	3.13	76,025	76,025	3.01	3.01

Note: The Company's 2018 net income after tax was NT\$2,778,229,000 and the 2019 net income after tax was NT\$2,530,940,000.

- a. The Company has specified in Article 19 of the Articles of Association that if there is any profit in the current year, it shall contribute no less than 1% to the employee's remuneration and no more than 3% to the directors and supervisors' remuneration. The amount to be contributed shall be reviewed by the Remuneration Committee, and then submitted to the Board of Directors for discussion and approval, and shall be reported to the Annual Shareholders' Meeting.
- b. The Company's procedures for determining the remuneration of directors, president and vice presidents use the "Remuneration Committee Charter", "Rules for Board of Directors Performance Assessments" and "Regulations Governing Compensation Payment of Executive Officers" as the basis of evaluation. For the remuneration of directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes

recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation. The salary and compensation of the president and vice presidents is in accordance with the Regulations Governing Compensation Payment of Executive Officers, and takes into consideration executive officers' individual work performance and goal attainment, contribution to the Company's overall performance, and reasonableness of connection to future risks. The Company's performance and salaries of competitors are also taken into consideration to provide reasonable remuneration. The content and reasonableness of the remuneration are reviewed by the Remuneration Committee and submitted to the Board for discussion and approval. The remuneration system is reviewed in a timely manner depending on the operational status and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operation and risk control.

- c. The Company's remuneration policy considers the Company's current financial status, operating results and future capital utilization needs for overall planning. Future risk assessment is also included in the scope of consideration to minimize the possibility of risk occurrence. As of the annual report publication date, there are no existing matters that will cause the Company to potentially bear any responsibility, obligation or liability in the future.

C. Implementation of corporate governance:

1. Board of Directors:

In the most recent year (2019), the Board of Directors had 10 meetings [A], and the attendance of directors and supervisors is as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance in person (%) [B/A]	Notes
Chairperson	Cheng, Wen-Tsung	10	0	100%	Re-elected on June 21, 2019
Director	Hsu, Wen-Hung	5	5	50%	Re-elected on June 21, 2019
Director	Cheng, Ken-Yi	2	1	50%	Re-elected on June 21, 2019 and natural person director was changed to representative of legal personl director
Director	Wen You Investment Co., Ltd. Representative: Cheng, Ken-Yi	6	0	100%	Re-elected on June 21, 2019
Director	Kao, Hsin-Ming	8	2	80%	Re-elected on June 21, 2019
Independent Director	Cheng, Tien-Chong	10	0	100%	Re-elected on June 21, 2019
Independent Director	Kung, Ju-Chin	10	0	100%	Re-elected on June 21, 2019
Independent Director	Lin Che-Wei	3	3	50%	Newly elected on June 21, 2019
Supervisor	Hu, Hsiu-Hsing	4	N/A	100%	Established an audit committee to replace supervisors, dismissed on June 21, 2019
Supervisor	Representative of Tang Ye Investment Co., Ltd.: Wu, Chih-Hsiung	3	N/A	75%	

Attendance of independent directors in the 10 Board meetings in 2019:

Independent Director	2019									
	1st meeting	2nd meeting	3rd meeting	4th meeting	5th meeting	6th meeting	7th meeting	8th meeting	9th meeting	10th meeting
Cheng, Tien-Chong	Attendance in Person									
Kung, Ju-Chin	Attendance in Person									
Lin Che-Wei	N/A	N/A	N/A	N/A	Attendance by proxy	Attendance in Person	Attendance by proxy	Attendance in Person	Attendance in Person	Attendance by proxy

Other matters that require reporting:

I. If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:

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

Board of Directors	Agenda items and resolutions
22nd meeting of the 8th-term Board of Directors January 9, 2019	<p>Agenda item: ◎ 2018 executive officers' year-end and performance bonus payment. ◎ 2019 executive officers' salary compensation payment. ◎ Proposed appointment of CPA and independence assessment. ◎ Proposal to provide endorsements/guarantees for the subsidiary, Maxtek Technology Co., Ltd., to obtain purchase credit line of NT\$12 million from suppliers.</p> <p>Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.</p>

23rd meeting of the 8th-term Board of Directors February 19, 2019	Agenda item: ①Proposal to make a donation to the "WT Education Foundation." ②Proposal to continue providing associated guarantee for the subsidiaries, WT Technology Korea Co., Ltd., Wonchang Semiconductor Co., Ltd., and WT Microelectronics (Shanghai) Co., Ltd., to obtain credit line from the banks.
	Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.
24th meeting of the 8th-term Board of Directors March 22, 2019	Agenda item: ①Amendments to the Procedures for Acquisition or Disposal of Assets.
	Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.
25th meeting of the 8th-term Board of Directors May 8, 2019	Agenda item: ①Proposed amendment to the Procedures for Lending Funds and Endorsement & Guarantee. ②Proposed issuance of the sixth domestic unsecured convertible corporate bonds. ③Proposal to continue providing joint guarantee for the subsidiary, WT Microelectronics (Shenzhen) Co., Ltd., to obtain credit line from banks.
	Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.
2nd meeting of the 9th-term Board of Directors August 8, 2019	Agenda item: ①Remuneration distribution to the Company's directors and supervisors. ②Proposal to lend RMB200 million to the subsidiary, WT Microelectronics (Shanghai) Co., Ltd. ③Proposal for the Company to provide endorsements and guarantees for the subsidiary, Morrihan International Corp. and Hongtech Electronics Co., Ltd., to obtain purchase credit line from suppliers. ④Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shanghai) Co., Ltd., WT Microelectronics (Shenzhen) Co., Ltd., and Lacewood International Corp. to obtain a credit line from banks. ⑤Proposal to amend the Internal Control System.
	Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.
9th-term 3rd meeting October 17, 2019	Agenda item: ①Proposal to issue first employee stock warrants in 2019. ②Proposal for the Company to continue providing joint guarantees for the subsidiary, Morrihan Singapore Pte. Ltd., to obtain credit lines from banks.
	Independent directors' opinions: No dissenting or unqualified opinions. The Company's handling of independent directors' opinions: N/A. Resolution: Passed as proposed after the chairperson consulted all attending directors.

(II) In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: No such incident occurred.

II. Directors recused from themselves from discussion or voting on an agenda item in which they have an interest:

(I) The 22nd meeting of the 8th-term Board of Directors on January 9, 2019

- Agenda item: 2018 executive officers' year-end and performance bonus payment.
- Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
- Reasons for recusal due to a conflict of interest and participation in voting:
As the proposal involved the individual executive officer's year-end and performance bonus payments, the Directors with executive officers' status recused themselves in accordance with Article 17 of the Company's "Rules of Procedures for Board of Directors' Meetings" regarding directors' recusal due to a conflict of interest.

Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed as proposed after the chairperson consulted with all attending directors.

(II) The 22nd meeting of the 8th-term Board of Directors on January 9, 2019

- Agenda item: 2019 executive officers' salary compensation payment.
- Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
- Reasons for recusal due to a conflict of interest and participation in voting:
As the proposal involved the individual executive officer's compensation content and amount, the directors with executive officers' status recused themselves in accordance with Article 17 of the Company's "Rules of Procedures for Board of Directors' Meetings" regarding directors' recusal due to a conflict of interest.

Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was

passed as proposed after the chairperson consulted with all attending directors.

- (III) The 23rd meeting of the 8th-term Board of Directors on February 19, 2019
- Agenda item: Proposal to make a donation to the "WT Education Foundation."
 - Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
 - Reasons for recusal due to a conflict of interest and participation in voting:
As the chairperson of the Board, Mr. Cheng, Wen-Tsung, and Director Ms. Hsu, Wen-Hung, were directors of the Foundation, in consideration of a conflict of interest, in addition to recusing themselves in accordance with the law, they shall not participate in the discussion and vote on the matter.
Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest and had not participated in the discussion and vote on the matter, it was passed as proposed after the chairperson consulted with all attending directors.
- (IV) The 2nd meeting of the 9th-term Board of Directors on August 8, 2019
- Agenda item: Remuneration distribution to the Company's directors and supervisors.
 - Directors recused due to a conflict of interest: Cheng, Wen-Tsung, Hsu, Wen-Hung, Cheng, Ken-Yi, Kao, Hsin-Ming, Cheng, Tien-Chong, and Kung, Ju-Chin.
 - Reasons for recusal due to a conflict of interest and participation in voting:
As the proposal involved the remuneration distribution amount of individual directors, directors recused themselves in accordance with Article 17 of the Company's "Rules of Procedures for Board of Directors" regarding directors' recusal due to a conflict of interest.
Except for directors (Hsu, Wen-Hung, Cheng, Ken-Yi, Kao, Hsin-Ming, Cheng, Tien-Chong, Kung, Ju-Chin, and Cheng, Wen-Tsung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed without objection after the chairperson and acting chairperson consulted with all attending directors.
- (V) The 2nd meeting of the 9th-term Board of Directors on August 8, 2019
- Agenda item: Proposal to lend RMB200 million to the subsidiary, WT Microelectronics (Shanghai) Co., Ltd.
 - Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
 - Reasons for recusal due to a conflict of interest and participation in voting:
The director of WT Microelectronics (Shanghai) Co., Ltd. is a relative of Cheng, Wen-Tsung and Hsu, Wen-Hung within the second degree of kinship. Considering that the director has a conflict of interest with this proposal, Cheng, Wen-Tsung and Hsu, Wen-Hung recused themselves in accordance with Article 15 of the Company's "Rules of Procedures for Board of Directors" regarding directors' recusal due to a conflict of interest.
Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed as proposed after the acting chairperson consulted with all attending directors.
- (VI) The 2nd meeting of the 9th-term Board of Directors on August 8, 2019
- Agenda item: Proposal for the Company to provide endorsements and guarantees for the subsidiary, Morrihan International Corp. and Hongtech Electronics Co., Ltd., to obtain purchase credit line from suppliers.
 - Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
 - Reasons for recusal due to a conflict of interest and participation in voting:
Wen-Tsung and Hsu, Wen-Hung are directors of Morrihan International Corp. and Hongtech Electronics Co., Ltd. Considering that the directors have a conflict of interest with this proposal, Cheng, Wen-Tsung and Hsu, Wen-Hung recused themselves in accordance with Article 15 of the Company's "Rules of Procedures for Board of Directors" regarding directors' recusal due to a conflict of interest.
Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed as proposed after the acting chairperson consulted with all attending directors.
- (VII) The 2nd meeting of the 9th-term Board of Directors on August 8, 2019
- Agenda item: Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shanghai) Co., Ltd., WT Microelectronics (Shenzhen) Co., Ltd., and Lacewood International Corp. to obtain a credit line from banks.
 - Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
 - Reasons for recusal due to a conflict of interest and participation in voting:
The directors of WT Microelectronics (Shanghai) Co., Ltd. and WT Microelectronics (Shenzhen) Co., Ltd. are a relative of Cheng, Wen-Tsung and Hsu, Wen-Hung within the second degree of kinship.

Furthermore, Cheng, Wen-Tsung is a director of Lacewood International Corp. Considering that the directors have a conflict of interest with this proposal, Cheng, Wen-Tsung and Hsu, Wen-Hung recused themselves in accordance with Article 15 of the Company's "Rules of Procedures for Board of Directors" regarding directors' recusal due to a conflict of interest.

Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed as proposed after the acting chairperson consulted with all attending directors.

(VIII) The 3rd meeting of the 9th-term Board of Directors on October 17, 2019

- Agenda item: Proposal for the Company to continue providing joint guarantees for the subsidiary, Morrihan Singapore Pte. Ltd., to obtain credit lines from banks.
- Directors recused due to a conflict of interest: Cheng, Wen-Tsung and Hsu, Wen-Hung.
- Reasons for recusal due to a conflict of interest and participation in voting:

The director of Morrihan Singapore Pte. Ltd. is a relative of Cheng, Wen-Tsung and Hsu, Wen-Hung within the second degree of kinship. Considering that the director has a conflict of interest with this proposal, Cheng, Wen-Tsung and Hsu, Wen-Hung recused themselves in accordance with Article 15 of the Company's "Rules of Procedures for Board of Directors" regarding directors' recusal due to a conflict of interest.

Except for directors (Cheng, Wen-Tsung and Hsu, Wen-Hung) who recused themselves due to a conflict of interest or not present in person and had not participated in the discussion and vote on the matter, it was passed as proposed after the acting chairperson consulted with all attending directors.

III. Implementation of self-evaluations by the Company's Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation for January 1, 2019 to December 31, 2019	Board of Directors	Board of Directors self-evaluation	1. Participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Selection and continuing education of directors. 5. Internal control

IV. An evaluation of the goals (e.g., establish an Audit Committee, improving information transparency) set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

- (I) In addition to providing relevant laws and regulations to directors and supervisors whenever necessary, the Company shall report the Company's current business status to directors and supervisors at the time of the board meeting, and prepare related information and assign personnel for directors' and supervisors' inquiry.
- (II) The Company actively provides information on various types of continuous education courses and encourages directors and supervisors to participate in various corporate governance courses, or the Company irregularly holds such courses, in order to strengthen the competencies of the Board members. In 2019, 7 directors received continuing education for a total of 54 hours.
- (III) The Company adheres to the operational transparency and safeguards shareholders' equity, and actively discloses relevant information such as important resolutions of the Board of Directors on the Company's website.
- (IV) In order to implement corporate governance and enhance the function of the Board of Directors for the purpose of establishing performance targets and strengthening the efficiency of the Board of Directors, the Company completed the enactment of the "Regulations Governing the Board Performance Evaluation" on August 10, 2016, and performs the assessment at the beginning of each year. After evaluation, the achievement rate was over 90% and the evaluation result was "Exceeding Standards" in 2019; it was reported to the Board meeting on January 2, 2020.
- (V) After the reelection of directors and supervisors during the Annual Shareholders' Meeting on June 21, 2019, the Audit Committee was established to replace supervisors and strengthen Board functions.

2. Operation of the Audit Committee:

In the most recent year (2019), the Audit Committee convened 2 meetings [A], and the attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance in person [B/A](%)	Notes
Independent Director	Cheng, Tien-Chong	2	0	100%	The 1st-term Audit Committee was established on June 21, 2019
Independent Director	Kung, Ju-Chin	2	0	100%	
Independent Director	Lin Che-Wei	0	2	0%	

Other matters that require reporting:

I. If any of the following circumstances occurs in the operation of the Audit Committee, the date, period, content of the proposals, the Audit Committee's resolution, and the Company's handling of Audit Committee members' opinions shall be stated:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act

Audit Committee	Agenda items and resolutions
1st meeting of 1st-term August 8, 2019	<p>Agenda item: <input type="radio"/> The Company's 2019 Q2 financial statements.</p> <p><input type="radio"/> Proposal to lend RMB200 million to the subsidiary, WT Microelectronics (Shanghai) Co., Ltd.</p> <p><input type="radio"/> Proposal for the Company to provide endorsements and guarantees for the subsidiary, Morrihan International Corp. and Hongtech Electronics Co., Ltd., to obtain purchase credit line from suppliers.</p> <p><input type="radio"/> Proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shanghai) Co., Ltd., WT Microelectronics (Shenzhen) Co., Ltd., and Lacewood International Corp. to obtain a credit line from banks.</p> <p><input type="radio"/> Proposal to amend the Internal Control System.</p> <p>Audit Committee members' opinions: No dissenting or unqualified opinions.</p> <p>The Company's handling of Audit Committee members' opinions: N/A.</p> <p>Resolution: Passed as proposed after the chairperson consulted all attending members.</p>
2nd meeting of 1st-term Octore 17, 2019	<p>Agenda item: <input type="radio"/> Proposal to issue first employee stock warrants in 2019.</p> <p><input type="radio"/> Proposal for the Company to continuing provide joint guarantees for the subsidiary, Morrihan Singapore Pte. Ltd., to obtain credit lines from banks.</p> <p>Audit Committee members' opinions: No dissenting or unqualified opinions.</p> <p>The Company's handling of Audit Committee members' opinions: N/A.</p> <p>Resolution: Passed as proposed after the chairperson consulted all attending members.</p>

(II) Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: None.

II. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify the name of the independent director, agenda item, reason for

recusal, and participation in voting: None.

III. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):

(I) Independent directors and the chief internal auditor may contact each other at any time via e-mail, telephone or meeting as needed. If there are material abnormal events, they may also convene a meeting at any time. Communication channels are diverse and open. The Company's chief internal auditor will submit the audit report or follow-up report of the previous month to independent directors for review. Independent directors shall give responses or opinions based on the necessity of the report. There were no material abnormalities in the 2019 audit results, and independent directors had no dissenting opinions. The total number of communications was 7 times in this year, and the summary of those communications are as follows:

Meeting date	Nature and subject of communication	Independent Directors' Opinions
January 9, 2019	●Internal Audit Implementation Report	Independent Directors had no opinions and suggestions.
February 19, 2019	●Internal Audit Implementation Report	Independent Directors had no opinions and suggestions.
March 22, 2019	●Internal Audit Implementation Report ●Discuss the 2018 effectiveness assessment of the internal control system and the " Internal Control System Statement."	Independent Directors had no opinions and suggestions.
May 8, 2019	●Internal Audit Implementation Report	Independent Directors had no opinions and suggestions.
August 8, 2019	●Internal Audit Implementation Report ●Discuss the amendmend to the Internal Control System	Independent Directors had no opinions and suggestions.
October 17, 2019	●Internal Audit Implementation Report	Independent Directors had no opinions and suggestions.
November 11, 2019	●Internal Audit Implementation Report ●Discuss the 2020 audit plan.	Independent Directors had no opinions and suggestions.

(II) In addition to reporting to independent directors for the audit or review of financial reports, the Company's CPAs hold at least one legal advocacy briefing at the Company each year to update the financial and taxation laws and the response measures for the corresponding impacts. In normal times, independent directors and CPAs can communicate with each other via e-mail, telephone or meeting at any time as needed. The Company's independent directors communicated well with CPAs. The communication records in 2019 are summarized as follows:

Date	Main Points of Communication	Independent Directors' Opinions
March 22, 2019	●Explaining the findings and results of the review of the 2018 consolidated and standalone financial reports and communicating key review matters ●Responding to and discussing the	Independent Directors had no opinions and suggestions.

		issues raised by the participants.	
	August 8, 2019	<ul style="list-style-type: none"> ● Explaining the findings and results of the review of the 2019 Q2 consolidated financial report ● Responding to and discussing the issues raised by the participants. 	Independent Directors had no opinions and suggestions.
	November 11, 2019	<ul style="list-style-type: none"> ● The CPA explained the responsibilities and independence in auditing the 2019 consolidated financial statements and audit plan. ● The CPA provided a preliminary opinion on key audit items that require communication in the audit report for the 2019 consolidated financial statements. ● Responding to and discussing the issues raised by the participants. 	Independent Directors had no opinions and suggestions.

3. Supervisors' participation in the operation of the Board of Director:

In the most recent year (2019), the Board of Directors convened 4 meetings [A], and attendance in the meetings is as follows:

Title	Name	Attendance in person [B]	Attendance rate (%) [B/A]	Notes
Supervisor	Hu, Hsiu-Hsing	4	100%	The Audit Committee replaced supervisors after the re-election on June 21, 2019.
Supervisor	Representative of Tang Ye Investment Co., Ltd.: Wu, Chih-Hsiung	3	75%	

Other matters that require reporting:

I. Composition and responsibility of supervisors:

The Company has two supervisor seats. For the operation of the Board of Directors, the supervisors are invited to be in attendance and express their opinions, so as to monitor the Company's operating conditions and supervise Board operations.

(I) Communication between supervisors and the Company's employees and shareholders: Supervisors can communicate or discuss directly with employees or shareholders if needed.

(II) Communication among supervisors, the Company's chief internal auditor, and CPAs:

1. In addition to giving an internal audit report at each Board meeting, after reviewing and approving the monthly audit report and the follow-up report, the chief internal auditor shall submit the reports to supervisors for review before the end of the next month following the completion of the audit items. In the current year, there was good communication and supervisors had no dissenting opinions after reviewing the reports.

2. There was good communication as supervisors communicated irregularly with the CPAs about the Company's financial information in a face-to-face or written manner as needed.

II. If a supervisor voices opinion in the Board of Directors meeting, describe the date of board meeting, term of the board, agenda items, resolutions adopted by the board, and actions taken by the company in response to the opinion of the supervisor: No such incident occurred in this year.

4. Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons:

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		In order to establish a good corporate governance system, the Company's Board of Directors passed the "Corporate Governance Best Practice Principles" on December 1, 2014, and revised the Principles on July 11, 2016, May 11, 2018, and August 8, 2019. The Principles are disclosed on the Market Observation Post System and the Company's website (www.wtmec.com) for download.	Operations are in compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	✓		(I) In addition to the stock affairs agency, the Company also, in accordance with internal operating procedures, obliges investor relations (spokesperson or deputy spokesperson), stock affairs, legal and other relevant departments to properly handle matters such as shareholders' suggestions, doubts, disputes and litigation, and respond appropriately. In addition, the Company's website also has a stakeholder section and a shareholders contact person for shareholders/investors to make suggestions or ask questions.	No difference.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(II) The Company keeps track of directors, executive officers and major shareholders with more than 10% shares, and keeps track of the list of major shareholders and their ultimate controllers through the previous register of shareholders as much as possible. In addition, the dedicated stock affairs and investor relation units shall maintain good interaction with major shareholders and pay attention to important issues that may cause changes in shares.	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	✓		(III) The Company clearly defines the division of authority and responsibilities between the Company and affiliated enterprises, in order to supervise affiliated enterprises in accordance with regulations such as the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," "Regulations Governing Establishment of Internal Control Systems by Public Companies," "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies " and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," etc., the Company formulated the relevant regulations such as the Group's "Corporate Governance Best Practice Principles," "Internal Control Systems," "Operation Procedures for Loaning of Funds and Making of Endorsements/Guarantees," "Procedures for Acquisition and Disposal of Assets," "Regulations Governing Monitoring of Subsidiaries," " Regulations Governing Subsidiaries' Operations," " Operation Procedures for Transactions between Group Enterprises, Related Parties and Specific Company," etc. The Company constructs appropriate firewalls based on risk assessment for continual implementation and control.	No difference.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) In addition to complying with the requirements of the Securities and Exchange Act, the Company's employees, executive officers, and directors shall also follow the Company's " Code of Ethical Conduct", " Procedures for Handling Material Inside Information", " Procedures for Ethical Management and Guidelines for Conduct", etc. Relevant personnel shall not engage in insider trading using the undisclosed information they know, nor may they disclose it to others in order to prevent others from using the undisclosed information to engage in	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																																													
	Yes	No																																															
			insider trading.																																														
III. Composition and duties of the board of directors (I) Does the board of directors develop and implement a diversified policy for the composition of its members?	✓		(I) The Company has established a diversification policy of board members in the "Corporate Governance Best Practice Principles" , and has adopted a rigorous selection nomination procedure. Based on the scale of the Company's operations, major shareholders, and practical operation needs, there are 7 director seats, in which approximately 29% are concurrently serving as employees, 43% are independent directors, and 43% are female directors. Two independent directors were re-elected, both with over 3 years experience, and one new independent director was elected in 2019. There are two directors between the ages of 60 and 69, and the remaining five directors are under 60 years old. The implementation of the diversification policy of all board members is as follows: <table border="1" data-bbox="884 1050 1818 1423"> <thead> <tr> <th>Diversification item / Name of director</th> <th>Gender</th> <th>Ability to make sound business judgments.</th> <th>Ability to manage a business.</th> <th>Leadership/Decisive on-making capability</th> <th>Industry knowledge</th> <th>An understanding of international markets</th> <th>Accounting and financial analysis capability</th> <th>Ability to respond to a crisis</th> </tr> </thead> <tbody> <tr> <td>Director: Cheng, Wen-Tsung</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Director: Hsu, Wen-Hung</td> <td>Female</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Director: Cheng, Ken-Yi</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Director: Kao, Hsin-Ming</td> <td>Female</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> </tbody> </table>	Diversification item / Name of director	Gender	Ability to make sound business judgments.	Ability to manage a business.	Leadership/Decisive on-making capability	Industry knowledge	An understanding of international markets	Accounting and financial analysis capability	Ability to respond to a crisis	Director: Cheng, Wen-Tsung	Male	V	V	V	V	V		V	Director: Hsu, Wen-Hung	Female	V	V	V	V	V		V	Director: Cheng, Ken-Yi	Male	V	V	V		V	V	V	Director: Kao, Hsin-Ming	Female	V	V	V	V	V		V	No difference.
Diversification item / Name of director	Gender	Ability to make sound business judgments.	Ability to manage a business.	Leadership/Decisive on-making capability	Industry knowledge	An understanding of international markets	Accounting and financial analysis capability	Ability to respond to a crisis																																									
Director: Cheng, Wen-Tsung	Male	V	V	V	V	V		V																																									
Director: Hsu, Wen-Hung	Female	V	V	V	V	V		V																																									
Director: Cheng, Ken-Yi	Male	V	V	V		V	V	V																																									
Director: Kao, Hsin-Ming	Female	V	V	V	V	V		V																																									

Evaluation Item	Implementation status										Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No	Summary									
			Independent Director: Cheng, Tien-Chong	Male	V	V	V	V	V		V	
			Independent Director: Kung, Ju-Chin	Female	V	V	V		V	V	V	
			Independent Director: Lin, Che-Wei	Male	V	V	V	V	V		V	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?		✓	(II) The Company has already established the Remuneration Committee, and will establish an Audit Committee after the re-election at the 2019 Annual Shareholders' Meeting. In the future, the Company will establish other functional committees based on business needs.									Evaluation is pending.
(III) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?		✓	(III) On August 10, 2016, the Board of Directors pass the "Rules for Board of Directors Performance Assessments", with the evaluation scope including the performance evaluation of the Board of Directors, individual board members and functional committees. The evaluation method may include the internal evaluation of the Board of Directors, the self-evaluation of the board members, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation; the measurement items of the Board's performance evaluation include the following five aspects: 1. Participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Selection and continuing education of directors. 5. Internal control. It is implemented by the Company's stock affairs unit to evaluate the									No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(IV) Does the company regularly evaluate the independence of CPAs?	✓		<p>internal performance of the overall Board of Directors at the end of a year, and the results will be used as a reference for future selection or nomination of directors and remuneration of directors. The 2019 overall board evaluation was completed at the beginning of 2020. The achievement rate was over 90% and the evaluation result was "Exceeding Standards". Evaluation results were reported to the Board of Directors during the meeting on January 2, 2020. In order to continuously improve the Board's operating efficiency, the Company will consider expanding the performance evaluation to individual directors and functional committee members in the future, so as to implement corporate governance and enhance directors' participation in the Company's operations and communication channels.</p> <p>(IV) The Company's accounting firm is PricewaterhouseCoopers Taiwan. The firm's independence policy requires all employees to complete the annual statement of compliance with independence and risk management policies regularly each year, and they must also self-inspect for any violation before accepting tasks. In addition, the Company has established independence evaluation items after referencing Article 47 of the Certified Public Accountant Act on independence, as well as the contents of "Integrity, Objectivity and Independence" in Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and assesses the independence of the accountant once a year.</p> <p>For the current year, the Board of Directors resolved on January 2, 2020 to pass the appointment of the CPAs and the independence evaluation. The evaluation items include reviewing whether the CPA and the</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>person in charge of the Company or executive officers are a spouse, lineal blood relative, lineal affinity, or collateral blood relatives within second degree; whether the CPA or his/her spouse, minor children and the Company have investment or shared financial interests; whether the CPA or his/her spouse, minor children are employed by the Company to work as a regular employee, or to receive a fixed salary or serve as Directors and Supervisors, etc. The evaluation results showed that the CPAs, Man-Yu Juan-Lu and Han-Qi Wu, of PricewaterhouseCoopers Taiwan met all the Company's evaluation criteria of independence, and can serve as the Company's CPAs.</p>	
<p>IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?</p>	✓		<p>In order to implement corporate governance, allow the Board of Directors to play its due role, and safeguard the rights and interests of investors, the Board of Directors on May 8, 2019 approved the appointment of Senior Vice President Hsu, Wen-Hung as the Company's corporate governance supervisor, which is the highest supervisor on the corporate governance related matters, and the stock affairs unit shall directly report to her. Senior Vice President Hsu, Wen-Hung is the Company's executive officer and has over 10 years of management experience in finance, stock affairs, or meeting agenda in public companies. The main duties of the corporate governance supervisor are to handle matters relating to Board meetings and shareholders' meetings in accordance with the law, to prepare proceedings for Board meetings and shareholders' meetings, to assist directors in taking office, continuing education and complying with the law, and to provide the information required for directors and insiders to perform their duties.</p> <p>Key points of operations in 2020 are as follows: (I) It is the meeting affairs unit of the Board of Directors and committees,</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>including preparing meeting agenda, stating the convening reasons, sending notices to directors or members seven days prior to the meeting, and providing sufficient meeting materials for the participants to understand related information. When the proposal is related to a director's own interests or the interests of legal person represented, the director is reminded to recuse him/herself due to a conflict of interest. Finally, within 20 days after the meeting, the minutes book is sent to directors or members.</p> <p>(II) Responsible for issuing material information or announcements of important resolutions on the same day after the Board meeting or shareholders' meeting, in order to ensure the disclosure of the legality and correctness of the information and to ensure the symmetry of trading information.</p> <p>(III) Handle pre-registration of the date of the shareholders' meeting, and prepare and file meeting notices, handbook, and proceedings within the time limit in accordance with the law.</p> <p>(IV) Handle the registration of changes to the Company's operations.</p> <p>(V) In order to strengthen the operational efficiency of the Board of Directors, an internal performance evaluation of the Board's operations in the previous year is conducted at the beginning of a year, and the results are reported in the most recent Board meeting.</p> <p>(VI) Evaluate and purchase an appropriate amount of directors and officers liability insurance, complete insurance enrollment, and report the insurance coverage to the Board of Directors.</p> <p>(VII) Irregularly provide information on continuing education to directors, remind them to complete the required hours of training in accordance with the "Directions for the Implementation of Continuing Education</p>	

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" and complete public disclosure.</p> <p>(VIII) Irregularly provide information on new laws or amendments concerning the directors performing duties, corporate governance or business operations to members of the Board of Directors.</p> <p>(IX) Review the compliance status of corporate governance assessment indicators on a item-by-item basis every year, and propose improvement plans and response measures for indicators that no score was received.</p> <p>(X) Provide operational information such as the Company's business or finance according to the needs of the directors, and maintain smooth communication between directors and each business executive.</p>	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		<p>(I) The Company obliges the departments including investor relations, stock affairs, etc., to communicate with stakeholders, depending on the situation, and provides contact information of the spokesperson and various related business departments on the Company's website (www.wtmec.com). In addition the Company has established a stakeholders section to respond appropriately to the issues of concern to stakeholders (vendors/upstream suppliers, customers, shareholders/investors/banks, media, employees, suppliers/ outsourcers, government institutions/competent authorities, and community/non-government organizations), and the communication channel is smooth and open.</p> <p>(II) The Group has employee communication channels, and employees can reflect their opinions via e-mail or writing.</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
VI. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the stock transfer agency of the Grand Fortune Securities Co., Ltd. to handle the matters of its Shareholders' Meetings.	No difference.
VII. Information disclosure				
(I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		(I) The Company has set up a company website (www.wtmec.com), and the Company's financial business and corporate governance status are irregularly disclosed and updated for access by investors.	No difference.
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	✓		(II) The Company has set up webpages in three languages: Traditional Chinese, Simplified Chinese and English, and provides dedicated e-mail addresses for various businesses. In addition, the Company has established "Procedures for Handling Material Inside Information" to provide a good internal material information processing and disclosure mechanism, and implement the spokesperson system. Investor relations and stock affairs units are responsible for the collection and disclosure of the Company's information. Besides announcing the monthly consolidated revenue, the Company also announces its quarterly profits and losses, and regularly holds investor conferences. All of these are disclosed on the Company's website to improve the Company's information transparency.	No difference.
(III) Does the company announce and report annual financial statements within two months	✓		(III) The Company announces and reports annual financial statements within two months after the end of each fiscal year, and announces and reports Q1, Q2, and Q3 financial statements, as well as monthly operation	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?			results, before the prescribed time limit.	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(I) For employee benefits and employee care, please refer to V. Labor relations under Five. Operational highlights in the Company's 2019 annual report.</p> <p>(II) Investor relations, supplier relations, and rights of stakeholders: The Company has established the corporate social responsibilities related regulations such as "Corporate Governance Best Practice Principles", "Supplier Code of Conduct", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct," etc., in order to implement corporate governance. Please refer to "Three. Corporate Governance Report III. Implementation of Corporate Governance (VI) Fulfillment of social responsibility, difference with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons" in the Company's 2019 annual report for more information.</p> <p>(III) Continuing education of directors: Continuing education courses taken by the Company's directors in 2019 are listed below and in compliance with the "Directions for the Implementation of Continuing Education</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																																										
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			<p>for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", so that directors will fulfill their fiduciary duties and exercise the due care of a good administrator.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date</th> <th>Organizer</th> <th>Course Name</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairperson</td> <td rowspan="2">Cheng, Wen-Tsung</td> <td>2019/04/26</td> <td>Securities & Futures Institute</td> <td>The 2019 Advocacy Briefing on Prevention of Insider Trading</td> <td>3 hours</td> </tr> <tr> <td>2019/12/24</td> <td>Taiwan Corporate Governance Association</td> <td>Legal risks of business administration and crisis management</td> <td>3 hours</td> </tr> <tr> <td rowspan="6">Director</td> <td rowspan="6">Hsu, Wen-Hung</td> <td>2019/07/16</td> <td>Securities & Futures Institute</td> <td>How directors and supervisors supervise the Company in strengthening its internal control system and internal auditing system</td> <td>3 hours</td> </tr> <tr> <td>2019/07/17</td> <td>Securities & Futures Institute</td> <td>Securities fraud - Illegal issuance of stocks and corporate bonds</td> <td>3 hours</td> </tr> <tr> <td>2019/07/23</td> <td>Securities & Futures Institute</td> <td>Legal risks and responses of directors and supervisors from the perspective of major corruption cases</td> <td>3 hours</td> </tr> <tr> <td>2019/07/24</td> <td>Securities & Futures Institute</td> <td>Listed and Unlisted Public Companies' Insider Equity Transaction Compliance Advocacy Briefing</td> <td>3 hours</td> </tr> <tr> <td>2019/08/13</td> <td>Accounting Research and Development Foundation</td> <td>Corporate governance practices: Effect of the new "Labor Incident Act" on companies and responses</td> <td>3 hours</td> </tr> <tr> <td>2019/08/14</td> <td>Securities & Futures Institute</td> <td>Employee Reward Strategies and Tools</td> <td>3 hours</td> </tr> </tbody> </table>	Title	Name	Date	Organizer	Course Name	Hours	Chairperson	Cheng, Wen-Tsung	2019/04/26	Securities & Futures Institute	The 2019 Advocacy Briefing on Prevention of Insider Trading	3 hours	2019/12/24	Taiwan Corporate Governance Association	Legal risks of business administration and crisis management	3 hours	Director	Hsu, Wen-Hung	2019/07/16	Securities & Futures Institute	How directors and supervisors supervise the Company in strengthening its internal control system and internal auditing system	3 hours	2019/07/17	Securities & Futures Institute	Securities fraud - Illegal issuance of stocks and corporate bonds	3 hours	2019/07/23	Securities & Futures Institute	Legal risks and responses of directors and supervisors from the perspective of major corruption cases	3 hours	2019/07/24	Securities & Futures Institute	Listed and Unlisted Public Companies' Insider Equity Transaction Compliance Advocacy Briefing	3 hours	2019/08/13	Accounting Research and Development Foundation	Corporate governance practices: Effect of the new "Labor Incident Act" on companies and responses	3 hours	2019/08/14	Securities & Futures Institute	Employee Reward Strategies and Tools	3 hours	
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Evaluation Item	Implementation status					Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons				
	Yes	No	Summary							
			Director	Cheng, Ken-Yi	2019/05/13	Corporate Operation Association	Excellent corporate governance operating model and self-discipline framework	3 hours		
					2019/05/20	Corporate Operation Association	Corporate Governance and Shareholders' Meetings	3 hours		
			Director	Kao, Hsin-Ming	2019/10/07	Taiwan Corporate Governance Association	Digital technology and artificial intelligence trends and risk management	3 hours		
					2019/10/07	Taiwan Corporate Governance Association	Overall planning for transferring offshore funds back to Taiwan (including offshore investment, tax, and financial issues)	3 hours		
			Independent Director	Cheng, Tien-Chong	2019/07/17	Securities & Futures Institute	Listed and Unlisted Public Companies' Insider Equity Transaction Compliance Advocacy Briefing	3 hours		
					2019/08/12	Taiwan Corporate Governance Association	The fight for patents	3 hours		
			Independent Director	Kung, Ju-Chin	2019/10/14	Accounting Research and Development Foundation	Effect of the new "Labor Incident Act" on companies and compliance auditing practices	6 hours		
			Independent Director	Lin Che-Wei	2019/11/08	Taiwan Corporate Governance Association	Impact of the US-China Trade War on Taiwanese Enterprises and Coping Strategies	3 hours		
					2019/11/21	Taiwan Stock Exchange	Promotion Event on the Effective Utilization of Board Functions	3 hours		
			(IV) Implementation of risk management policies and risk measurement							

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>standards:</p> <ol style="list-style-type: none"> 1. Risk management policy: <ol style="list-style-type: none"> (1) Management of market risks: To manage the risks arising from market fluctuations and changes in the economy: <ol style="list-style-type: none"> A. Balance dispersion in customer base and industry: Not only to achieve customer dispersion, but also to achieve a complete portfolio with multiple product lines. B. R&D and normal operation are separated: In order to ensure that the new requirements and new technologies required by the market can be continuously provided, the R&D units are separated to avoid resource conflicts and unbalanced use so that professional technical support can be provided. (2) Credit risk management: Monitor cash flow at any time, separate short-term funds from long-term capital use, regularly check customer credits, and monitor the management of accounts receivable. (3) Management of operating risks: Establish, correct and promote various standard operating procedures in a timely manner. (4) Enterprise-scale risk management: Implement the profit center system and performance management indicators, and strictly review the economic scale of each product line. 2. Risk management framework: <p>The management of the Group's various operational risks is the responsibility of relevant units based on the nature of its business. The Auditing Office monitors the existing or potential risks of each operation, and formulates a risk-oriented annual audit implementation plan. The main management units of each risk are described as</p> 	

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>follows:</p> <ol style="list-style-type: none"> (1) Finance: Responsible for the Group's financial dispatching, fund use, and establishment of hedging mechanisms to reduce financial risks; responsible for planning and setting short, mid, and long-term financial and investment strategies. (2) Business: Responsible for marketing strategies, product promotion and market trends to reduce operational risk. (3) IT: Responsible for network planning, construction, operation and maintenance; continuously monitoring network quality; assessing various information risks, and taking appropriate safety measures to reduce network operational risks. (4) Legal: In addition to being responsible for reviewing the legality of contract documents, it assists in controlling legal risks, complies with government regulatory policies, and handles contractual and litigation disputes to reduce legal risks. (5) Auditing Office: Responsible for the revision and promotion of the internal control system, and the planning and execution of the auditing business to strengthen the internal control function and ensure its continued effectiveness, in order to achieve the effectiveness and efficiency of the Group's operations; reporting reliability, timeliness, transparency and compliance to relevant norms and related laws and regulations. (6) Board of Directors: The Board of Directors is the highest decision-making unit of the Group's risk management. In response to the Group's overall operational risk and operating environment, it approved risk management policies to ensure effective control of operational risks and improve management 	

Evaluation Item	Implementation status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>efficiency.</p> <p>3. Risk analysis and assessment: Please refer to "F. Risk analysis and evaluation of VII. Review and analysis of the financial status, financial performance, and risk management" in the Company's 2019 annual report for details.</p> <p>(V) Customer policy implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to comply with the business activities of ethical management practices. Please refer to "I. Business activities of Five. Operational highlights" in the Company's 2019 annual report.</p> <p>(VI) Status of purchase of liability insurance by the company for directors and supervisors: The liability insurance in the amount of US\$12 million purchased by the Company for directors, supervisors, and important staff members in 2019 had not expired as of the date of report. Renewal of the insurance will be completed before the insurance expires in April 2020, and important details of the insurance to be reported in the most recent Board meeting.</p>	
IX. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.				
Improvements made to the 6th Corporate Governance Evaluation Indicators				
No.	Indicator Item		Improvement method	
1.6	Does the company hold the annual shareholders' meeting before the end of May?		The 2020 annual shareholders' meeting is scheduled on March 27 th .	

Evaluation Item	Implementation status			Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No			
1.11				The English version of the annual report was prepared and uploaded 7 days before the 2019 annual shareholders' meeting.	
2.10				Three independent directors were elected at the 2019 annual shareholders' meeting, and an Audit Committee was established.	
2.12				Remuneration Committee members were re-appointed after the re-election of directors at the 2019 annual shareholders' meeting, and more than half of the members are independent directors.	
2.19				The Board Meeting attendance rate of all directors has reached 80% on average in 2019.	
Priority Matters Require Strengthening and Measures to the 6th Corporate Governance Evaluation Indicators					
No.	Indicator Item			Priority Matters the Require Strengthening and Measures	
3.2				Material information will be reported in English in 2020.	

5. If the company has a Remuneration Committee, disclose its composition, responsibilities and operations:

The Company established the Remuneration Committee and formulated its organizational charter in accordance with the "Securities and Exchange Act" and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." The responsibilities of the Remuneration Committee is to assess the remuneration policy and system for the Company's directors and executive officers in a professional and objective manner and make recommendations to the Board of Directors for reference.

The Company's Remuneration Committee has three members. All members meet expertise and independence requirements, and was reappointed in coordination with the term of the Board of Directors on June 21, 2019. Miss Kung, Ju-Chin, Mr. Lin, Che-Wei, and Miss Lu, Huei-Chung are the members of the 4th-term Remuneration Committee, in which Miss Kung, Ju-Chin is the convener and chairperson. The committee is required to convene at least two meetings each year, and convened four meetings in 2019.

(1)Members of the Remuneration Committee:

Title	Qualifications	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note 2)										Number of other public companies in which the member also serves as a member of their Remuneration Committee	Notes	
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Name																	
Independent Director	Kung, Ju-Chin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Lin Che-Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None	
Other (Note 1)	Jack Yeh		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None	
Other	Huei-Chung Lu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None	

Note 1: The term of Committee Member Jack Yeh expired after the reelection of the Board of Directors on June 21, 2019.

Note 2: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or

more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

- f. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- g. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- h. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- i. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- j. Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(2) Operations of the Remuneration Committee:

- a. There are three members in the Company's Remuneration Committee.
- b. Current term of office: From June 21, 2019 to June 20, 2022. In the most recent year (2019) the Remuneration Committee met four times [A], and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance rate (%) [B/A] (Note)	Notes
Convener	Kung, Ju-Chin	4	0	100%	Re-appointed on June 21, 2019
Committee Member	Jack Yeh	2	0	100%	Term expired on June 21, 2019
Committee Member	Huei-Chung Lu	4	0	100%	Re-appointed on June 21, 2019
Committee Member	Lin Che-Wei	0	2	0%	Newly appointed on June 21, 2019

Other matters that require reporting:

- I. If the board of directors did not adopt or revised the recommendations of the compensation committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the compensation committee (if the remunerations approved by the board of directors are better than those recommended by the compensation committee, describe the difference and reasons):
No such incident occurred in this year.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members:
No such incident occurred in this year.
- III. Proposals and resolutions of the Remuneration Committee meetings and the Company's handling of the members' opinions in the most recent year:

Remuneration Committee	Agenda items and resolutions
9th meeting of the 3rd-term January 9, 2019	Agenda item: ◎ 2018 executive officers' year-end and performance bonus payment. ◎ 2019 executive officers' salary compensation payment.
	Members' opinions: No dissenting or unqualified opinions. Resolution: Passed as proposed after the chairperson consulted all attending members. The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors and approved by all attending directors.
10th meeting of the 3rd-term March 22, 2019	Agenda item: ◎ Proposal for the 2018 distribution of remuneration to employees, directors, and supervisor.
	Members' opinions: No dissenting or unqualified opinions. Resolution: Passed as proposed after the chairperson consulted all attending members.

		The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors and approved by all attending directors.
	1st meeting of 4th-term August 8, 2019	Agenda item: ☉ Remuneration distribution to the Company's directors and supervisors.
		Members' opinions: No dissenting or unqualified opinions. Resolution: Passed as proposed after the chairperson consulted all attending members. The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors and approved by all attending directors.
	2nd meeting of 4th-term October 17, 2019	Agenda item: ☉ Proposal to establish the Company's "2019 Employee Stock Warrants Issuance and Subscription Regulations."
		Members' opinions: No dissenting or unqualified opinions. Resolution: Passed as proposed after the chairperson consulted all attending members. The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors and approved by all attending directors.

6. Fulfillment of Social Responsibility and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>I. Environmental protection The Company is an electronic parts distributor that is mainly in the business of electronic parts sale and R&D, and is not involved in manufacturing. Due to the industry's characteristics, the Company does not cause any environmental pollution. As a global citizen, the Company has a profound understanding of the importance of environmental sustainability, and implements an environmental management system to minimize the risk of environmental violations. The Company is actively implementing energy conservation & carbon reduction plans, raising the environmental protection awareness of its employees, and improving the efficiency of resource use.</p> <p>The Company assembled an environmental impact assessment team that performs tasks according to the "Environmental Management System Operation and Control Procedure," fully utilizing its organizational function. The team also conducts environment reviews and risk assessments according to the "Environmental Assessment Procedure," and is responsible for formulating environmental policies, preparing related documents, reviewing, and promoting environmental protection activities.</p> <p>II. Product accountability The Company requires suppliers to obtain necessary environment permits (e.g.: emission monitoring), approval and</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>registration documents, and periodically maintain and update the permits and documents. The Company also requires suppliers to identify and manage the release of chemical substances and other substances that are hazardous to the environment, ensuring that these substances are safely processed, transported, stored, used, recycled, reused, and disposed. The Company complies with the EU's RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization, Restriction of Chemicals).</p> <p>Besides complying with related laws and regulations, the Company also requires suppliers to disclose on its official website a statement that its products all comply with the regulations above, or provide certificates for passing the inspection of the Electronics Testing Center, Taiwan or SGS. This ensures that the electronics components sold by the Company to downstream manufacturers are all in compliance with the law.</p> <p>III. Employer-employee relations Personnel appointment is based on manpower requirements for the annual plan of each department. WT Microelectronics Co., Ltd. finds outstanding talent that match its core values through diverse recruitment channels. The Company works together with campuses in promoting internships and collaborative teaching, as well as practical training, providing students with internship plans to experience the workplace. This assists the professional development of students and strengthens their</p>	

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>employability. The Company attaches importance to talent retention and objectively learns about the reason employees resign through interviews, while collecting related information. The information is analyzed for subsequent improvement plans, and provided to department managers for personnel management, work design, and adjusting the criteria of job openings.</p> <p>IV. Anti-corruption The Company established the Ethical Management Promotion Task Group, which periodically reports the implementation of ethical corporate management in the previous year to the Board of Directors at the beginning of the year, assisting the Board of Directors with inspecting and evaluating if unethical conduct prevention measures are effective. The Ethical Management Promotion Task Group established the Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, Procedures for Ethical Management and Guidelines for Conduct, the internal control system, authorization system, and separation of duties. It implements anti-corruption measures in coordination with internal audits, self-evaluations of the internal control system, and channels for reporting unethical conduct.</p> <p>V. Customer privacy The Company strictly maintains the confidentiality of trade secrets, and does not inquire about or collect information on unrelated intellectual property, such as trade secrets, trademarks, patents, and copyright, of suppliers and customers.</p>	

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>The Company shall not disclose the trade secrets to any third party and also signs a non-disclosure agreement (NDA) with customers and vendors. Five information security risk protection measures have been implemented to protect trade secrets.</p> <p>VI. Compliance with social and economic regulations The Company complies with the Fair Trade Act, Foreign Trade Act, Regulations Governing Export and Import Of Strategic High-tech Commodities, Export Administration Regulations of the United States of America, and Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area, and all products comply with the international safety standards, international environmental regulations and import and export regulations. This ensures that the business activities are environmentally friendly and complies with ethics. Internal training courses are also organized to promote laws and regulations.</p>	
II. Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	✓		<p>The Group established the WT Education Foundation in December 2014. The Foundation's Board of Directors consists of seven directors, and it has a CEO to lead the public interest business. Its aim is to fulfill corporate social responsibility and promote cultural and educational activities to give back to the society. It sponsors or promotes various public interest activities, and calls on all employees to participate. The implementation situation and operational results is reported to the Board of Directors by the CEO of the Foundation regularly each year. The 2019 implementation was reported to the Board of Directors on February 15, 2020. The</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>total amount of donations amounted to NT\$7.56 million and the number of beneficiaries reached 45,554. The sponsored items mainly consist of four categories:</p> <ol style="list-style-type: none"> 1. Supporting multicultural education: The Alliance Cultural Foundation - Junyi Experimental High School Creative Experimental Course Project, Cheng Zhi Education Foundation - Zheng-Min Elementary School, Yunlin County KIST Private Management of Public School. 2. Caring for education for the disadvantaged: Teach For Taiwan (TFT) Education Foundation - Two-Year Full-Time Teaching Project, Vox Nativa Association - Distance Tutoring Project, Silver Grass Cultural and Creative Association - Theatrical Group Rural Tour, Vox Nativa Association - Yuan Sheng International Academy Experimental Education Project, Dayan Culture Association - A New Vista for Children - Campus Photography Project. 3. Cultivating elites: Yanxing Taiwan Association – Scholarship, and College of Social Sciences, Fu Jen Catholic University - Student self-learning reward program. 4. Respecting life: Taiwan Premature Baby Foundation - "Support with Hearts, Hug with Love - Let Premature Infants Get Complete Care" Plan, and Taiwan Kidney Foundation- "Rich Kidney Cafeteria" Kidney Disease Nutrition Control Series. <p>For the detailed implementation situation and specific results of the aforementioned 11 organizations or projects, please refer to the 2019 Corporate Social Responsibility Report after it is released.</p>	
III. Environmental issues				

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(I) The company and the Hong Kong warehouse industry have obtained the ISO14001 environmental management system certification to effectively prevent and control environmental pollution and improve the utilization of resources and energy.	No difference.
(II) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	✓		(II) Due to energy shortage, artificial destruction of the ecological environment, and growingly severe carbonization of the planet in recent years, the Group continues to implement energy conservation & carbon reduction measures to respond to the impact of environment changes. <ol style="list-style-type: none"> 1. Use of energy efficient equipment in the office High energy efficiency LED lights with the energy conservation label are given priority; thermal sensor lighting devices are installed in public areas and offices to effectively reduce power consumption. Air conditioners and lighting equipment are installed with controllers that automatically turn on and off during work hours and lunch breaks to prevent unnecessary energy waste. 2. Promotion of energy conservation & carbon reduction Posters are put up at the switches of lights and air conditioning to promote energy conservation & carbon reduction, in order to encourage employees to conserve energy. 3. Resources utilization and recycling <ol style="list-style-type: none"> a. Office resource reuse Offices recycle, take apart, and reuse resources, including computer equipment and parts, and donate them to social 	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓		<p>welfare organizations for reuse, lowering the ecological load.</p> <p>b. Packaging material recycling and use of green packaging materials</p> <p>Packaging materials are separated based on their properties for management. Empty cardboard boxes from incoming materials are recycled and reused for packaging outgoing goods. Degradable inflated pads are placed in boxes to reduce the damage to the environment and ecology.</p> <p>(III) The Group is not in the manufacturing industry, thus potential risks are mainly environment and business related: Resource shortage, increased cost of raw materials, unstable transportation requirements, and the threat to employee safety caused by extreme weather may all have a direct impact on the Company's operations and increase losses. Furthermore, changes to mitigate and adapt to climate change will create opportunities for the Group, such as the development of new products related to green energy technologies. The Group's response measures for reducing operating cost include increasing energy use efficiency, water use reduction, and using more efficient transportation methods.</p>	No difference.
(IV) Does the company compile statistics of greenhouse gas emissions, water use, and	✓		<p>(IV) The Group dedicated its efforts to energy conservation and carbon reduction in 2019 to fulfill its global citizenship and</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?			corporate social responsibility. It also adopted a greenhouse gases inventory system and issued the Greenhouse Gas Inventory Management Report to monitor its greenhouse gas emissions. Its greenhouse gas emissions decreased from 565.658 metric tons (t-CO2e) in 2018 to 550.361 metric tons (t-CO2e) in 2019, down 15.297 metric tons (t-CO2e) or about 2%. In the future, the Company will continue to implement the strategy of energy conservation, carbon reduction and greenhouse gas reduction in 2020, in hopes of becoming a low-carbon enterprise with sustainable development.	
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company follows the principles disclosed by the International Bill of Human Rights, such as "Enforcement Act of Convention on the Elimination of All Forms of Discrimination against Women," "Implementation Act of the Convention on the Rights of the Child," and "Act to Implement the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights," together with the Labor Standards Act and related laws and regulations, when establishing internal management regulations. The Company also established the "Corporate Social Responsibility Best Practice Principles," in order to protect the basic human rights of all colleagues, customers and stakeholders, and to safeguard public interests. In addition, when signing a transaction contract with a customer, the Company is also committed to comply with the Electronic Industry Code of Conduct (EICC), ensuring a safe working	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		environment, that employees are respected and have dignity, environmentally friendly business operations, and ethical conduct. (II) The Group complies with the Labor Standards Act and related laws and regulations when setting salary and benefit measures, and provides benefits that are competitive in the market to encourage employees. Furthermore, periodic evaluations are conducted for issuing performance bonuses to share profits with employees.	No difference.
(III) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		(III) Employees are the Group's most valued asset, and creating a friendly workplace is one of the Group's primary tasks. 1. Working environment and employee safety protection measures: Professional cleaners are arranged to maintain the workplace environment in the office, including periodically sterilizing the work environment and cleaning air conditioners. Professional technicians are hired to periodically perform safety inspections and maintenance in accordance with the law. Employees are required to wear their identification cards when entering and leaving the office; visitors or guests are led by the receptionist and may not enter the office without permission. The Company has signed a contract with a security company. The front gate is strictly monitored around the clock to maintain the safety of	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(IV) Does the company set up effective career	✓		<p>the office.</p> <p>2. Implementation of health protection and management: The Company provides employees with medical check-ups every year, and has a health manager to assist employees with health inspections, consultation, and recommendations. Each office has a first aid reporting window to effectively guide emergency medical technicians when an emergency occurs. Doctors are invited to provide health consultation services at the office, and irregularly organize health seminars to improve employees' medical knowledge.</p> <p>3. Promotion of health activities: A multi-purpose classroom is provided exclusively for employees, a variety of sports courses are arranged and offered in coordination with the sports center, encouraging employees to develop good exercise habits, while raising their health management awareness. Furthermore, employees are encouraged to form various clubs, such as running club, basketball club, board game club, badminton club, cooking club, and floral club. Additionally, mountain climbing club was added this year. The Company hopes employees can participate in club activities to improve their mental and physical health and their relationships with each other.</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
development and training programs for its employees?			developed by dedicated units for formulating annual training programs, and courses developed are based on functional attributes and grades to enhance employees' professional competence and knowledge.	
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	✓		(V) The Group cares about the opinions of its customers. Besides individual visits, it also provides a contact person and e-mail addresses for products on its website. It also set up a stakeholder section on the Company's website to provide a channel for customer questions, complaints, or suggestions, which the Company handles and gives feedback based on the principle of good faith, so as to protect customers' rights and interests.	No difference.
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		(VI) The Company has established a standard supplier evaluation process and the Supplier Code of Conduct, which are disclosed on the company website, so that suppliers understand and comply with the Company's product safety and ethical requirements, showing greater responsibility to society and the environment. The Company requires suppliers to comply with labor rights, health and safety, environmental protection, and ethics, and works with suppliers to commit to the development and application of green technologies, in order to solve the environmental problem of Earth's energy resources being depleted. These efforts allow the Company and suppliers to better fulfill their corporate social responsibility. In case of violation, the Company may immediately terminate the	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			cooperation with the supplier and may seek compensation for damages. When purchasing goods, the Group complies with environmental regulations and industry regulations, such as conflict minerals. In addition, the official website of major international suppliers that the Company deals with disclose statements that their products comply with relevant environmental regulations.	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The Group referenced internationally accepted reporting standards in 2019 in preparing the 2018 Corporate Social Responsibility Report, and obtained a limited assurance report from a third party verification unit. The Corporate Social Responsibility Report may be accessed at the Group's official website.	No difference.
VI. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established "Corporate Social Responsibility Best Practice Principles" to fulfill its social responsibilities. There is no difference between actual operations and the Company's best practice principles.				
VII. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: (I) Public interest: 1. It is the Group's commitment to fulfill corporate social responsibility, in addition to expanding its operations and creating maximum value for its shareholders. The Company has established the "WT Education Foundation," to promote non-profit cultural and educational activities, via "supporting multicultural education ", "developing art skills and knowledge", "flip education", "inspiring the next generation" and " respecting life". By promoting care to all corners of the society, the Company can do its part as a corporate citizen and fulfill its corporate responsibility for social welfare, environmental sustainability and corporate governance. For information on the Company's corporate social responsibility, please refer to the Company's 2018 Corporate Social Responsibility Report on the				

Evaluation Item	Implementation status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
<p>Company's website (URL: http://www.wtmec.com/WT/?page_id=12183) ◦</p> <p>2. The Group responds to government decrees and employs people with physical and mental disabilities in accordance with the People with Disabilities Rights Protection Act.</p> <p>(II) Environmental protection: The Group is an electronic components distributor without a factory, and mainly promotes environmental protection at its offices and warehouses. Warehouses in Taiwan and Hong Kong have all obtained the ISO 14001 environmental management system certification. The Company hopes to become a pioneer in a circular economy, and is actively recycling and reusing empty cardboard boxes, selecting packaging materials that are recyclable and degradable for logistics operations, and reducing the use of materials that are not environmentally friendly to protect the environment and ecology. The Company promotes paperless operations in offices, encourages employees to reduce paper use via e-mail and scanning and storing documents in electronic form, in order to accelerate the transition to paperless operations. Office equipment and resources are recycled and reused to reduce waste generation. Recyclable and reusable resources that are discarded by offices are donated to social welfare organizations, such as office furniture, refrigerators, IT and computer equipment, avoiding resource waste and reducing the burden on the planet.</p> <p>(III) Human rights: The Group values stakeholders' interests and set up a stakeholder section on the Company's website to provide a good communication platform, in order to understand the reasonable expectations and needs of stakeholders. Whether the internal or external issues are questions, complaints, or suggestions in the economic, social and environmental aspects, the Group shall always uphold the principle of good faith to properly handle and provide feedback or improvement plans to achieve effective communication.</p>				

7. Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
I. Establishment of ethical corporate management policy and approaches				
(I) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) The Company's Ethical Corporate Management Best Practice Principles were passed by the Board of Directors on December 1, 2014, and amendments were passed by the Board of Directors on July 11, 2016 and August 8, 2019 in response to law amendments. The Corporate Social Responsibility Report was disclosed on the Market Observation Post System and the company website (www.wtmec.com); The Company's 2018 CSR Report was issued on September 6, 2019) making stakeholders aware of the Company's efforts and contributions in CSR. The Group's senior management and members of the Board of Directors are committed to upholding their responsibility of supervision based on ethical concepts when performing their duties, in order to create a sustainable business environment.	No difference.
(II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes	✓		(II) The Company explicitly prohibits unethical conduct such as offering and receiving bribery, providing or accepting improper interests, providing or promising facilitation payment, providing illegal political contributions, engaging in unfair competition, providing improper charitable donations or sponsorships, disclosing trade secrets and damages to the interests of stakeholders, etc., in the " Procedures for Ethical Management and Guidelines for Conduct". The Company has	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
<p>preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?</p>	✓		<p>taken preventive measures and conducted educational advocacies to implement the ethical management policy.</p> <p>(III) The Company engages in commercial activities based on the principles of fairness, honesty, trustworthiness and transparency. In order to implement the ethical management policy, in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", the Board of Directors passed the resolution on April 28, 2016 to formulate the "Procedures for Ethical Management and Guidelines for Conduct", specifying the matters the Company's personnel shall be minded of when performing business. It includes clear operating procedures and guidelines for each program, disciplinary action for violations and grievance systems. It is applicable to all of the Group's companies and organizations such as the Company and its subsidiaries, foundations with the Company directly or indirectly contributing more than 50% of the funds, and other institutions or legal persons which the Company has substantial control. Besides promoting the policy among new employees, the Company has implemented it in business operations.</p>	No difference.
II. Implementation of ethical corporate management				

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(I) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	✓		(I) After the evaluation, the Company shall sign contracts that contain an ethics clause with transaction counterparties if necessary. The ethics clause includes not accepting or requesting improper benefits, such as bribery, gift money, gift cards, etc., and conducting all business activities based on the principles of fairness, justice, openness and honesty. In addition, the financial institutions to which the Company conducts transactions with are all legally registered and well-known commercial banks or bills finance companies. The rights and obligations of both parties and the terms of the transaction are clearly set out in the credit contract. The Company also established the "Supplier Code of Conduct" on April 12, 2016 to specify relevant ethics.	No difference.
(II) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	✓		(II) In order to improve the ethical corporate management, the HR, Legal and Audit Office jointly form an Ethical Management Promotion Task Group, decentralizing the formulation and supervision of ethical corporate management policies and preventive measures based on the work responsibility and scope of each unit, to ensure the implementation of the Ethical Corporate Management Best Practice Principles. In addition, the Company reports the implementation of ethical corporate management in the previous year to the Board of Directors every year, to assist the Board of Directors in assessing whether the ethical corporate management measures established by the Company is operating	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(III) Does the company establish policies to prevent conflict of interests, provide	✓		<p>effectively. On January 2, 2020, the Board of Directors completed the 2019 annual reporting on the implementation of ethical management.</p> <p>In addition to promoting ethics and integrity as the core values of the Company to all employees, the task group also provides education and training to new employees to advocate the matters which require attention when conducting business. Employees can also respond to and communicate with management and the HR unit through multiple channels (including the Company's website, internal email system, etc.). In addition, there is a whistleblowing platform for any violation of the code of conduct on the Company's official website, providing a channel for whistleblowers to report illegal activities of the Company's personnel. The Ethical Management Promotion Task Group is responsible for accepting the reported cases, forwarding these cases to the highest supervisors of the relevant units for investigation, and tracking the final result of each cases. The identity of the whistleblower and the contents of the report shall be kept confidential, and a complete record of the acceptance, investigation process and results of the case shall be retained. The Company received 0 external reports and employee reports in 2019; there were no incidents of severe unethical conduct.</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
appropriate channels for filing related complaints and implement the policies accordingly?			and Guidelines for Conduct" have clearly specified policies for preventing conflicts of interest and requires all units to implement them. Open channels are provided internally and on the Company's website for employees to present their opinions. In addition, the Company's personnel that attended Board meetings recused themselves for those proposals that they have a conflict of interest (January 9, 2019; February 19, 2019; August 8, 2019; October 17, 2019; January 2, 2020; and February 15, 2020) in accordance with Article 15 of the Company's "Rules of Procedure for Board of Directors' Meetings" on directors' recusal due to conflict of interest.	
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(IV) The Group has established a complete and effective control mechanism in the accounting system and internal control system for business activities and operating procedures that have potentially high levels of unethical conduct. Internal auditors shall include high-risk operations as the primary audit items in the annual audit plan based on risk assessments to strengthen preventive measures, and report the actual implementation of the audit plan during regular Board meetings. In addition, through the Company's annual self-assessment of internal controls, all departments and subsidiaries of the Company are required to self-examine the internal control system, in order to ensure the effectiveness of the system's design and implementation.	No difference.
(V) Does the company regularly hold	✓		(V) The "Ethical Corporate Management Best Practice Principles"	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
internal and external educational trainings on ethical corporate management?			and the "Procedures for Ethical Management and Guidelines for Conduct" established by the Company are disclosed in the "Corporate Governance" section of the official website, as well as advocated on the internal website and during new employee training. In 2019, the total number of training hours was 10.5 hours, and the number of trainees was 126. The training aims for each new employee to understand and abide by the Best Practice Principles. In addition, relevant personnel are also appointed to participate in seminars and symposiums organized by public associations or professional organizations to strengthen the Group's ethical corporate management policy.	
III. Operation of whistleblowing system				
(I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(I) In accordance with Article 23 of the Company's Ethical Corporate Management Best Practice Principles and Article 21 of the Procedures for Ethical Management and Guidelines for Conduct on the whistle-blowing system, if members of the Group suspect or discover any violations, they shall report it to independent directors, executive officers, the chief internal auditor or other suitable personnel. In addition, there is a professional ethics violation reporting channel on the Company's website for relevant personnel to report wrongdoings. There were no major internal or external whistleblower cases in 2019.	No difference.
(II) Does the company establish standard operating procedures for investigating	✓		(II) In accordance with Article 23 of the Company's Ethical Corporate Management Best Practice Principles and Article	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
<p>reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?</p> <p>(III) Does the company provide proper whistleblower protection?</p>	✓		<p>21 of the Procedures for Ethical Management and Guidelines for Conduct, records of the whistleblower report acceptance and investigation process and results shall be kept and retained, and the whistleblower's identity and contents of the report shall be kept confidential. If a material violation is discovered by the investigation or the Group is at risk of sustaining significant losses, a report shall immediately be prepared and independent directors shall be notified in writing. No such incident occurred in 2019.</p> <p>(III) In accordance with Article 23 of the Company's Ethical Corporate Management Best Practice Principles and Article 21 of the Procedures for Ethical Management and Guidelines for Conduct, the whistleblowers identity and contents of the report shall be kept confidential, and whistleblowers shall not be subject to improper treatment due to whistleblowing.</p>	No difference.
<p>IV. Enhancing information disclosure</p> <p>Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?</p>	✓		<p>The Company has disclosed these Best-Practice Principles and its implementation on the Company's website, Market Observation Post System, annual reports, corporate social responsibility reports and prospectus in accordance with Article 25 of the Ethical Corporate Management Best Practice Principles. Integrity is the Company's most important core value and business philosophy. Employees must abide by clear ethical and character standards. The Company keeps its commitment to vendors, customers, employees, shareholders and society, and also does its utmost to ensure the interests and rights of all stakeholders.</p>	No difference.

Evaluation Item	Implementation status		Summary	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
V. If the company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", describe difference with the principles and implementation status: The Company established the "Ethical Corporate Management Best Practice Principles" to establish a corporate culture of ethical management and to achieve sound development. There is no deviation between actual operations and the Company's Best Practice Principles.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles) The Company shall pay attention to the development of relevant domestic and international ethical management regulations, and encourage directors, executive officers and employees to make suggestions for improvement. The Company's Ethical Corporate Management Best Practice Principles were submitted to the Board of Directors for review and amendment on August 8, 2019 to improve the effectiveness of the Company's ethical management in response to the establishment of independent directors and amendments to the law.				

8. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:
The Company has formulated the "Articles of Incorporation", "Rules of Procedure for Shareholders' Meetings", "Rules of Procedure for Board of Directors' Meetings", "Rules for Board of Directors Performance Assessments", "Rules for Election of Directors", "Audit Committee Charter", "Remuneration Committee Charter", "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds and Endorsement & Guarantee", "Procedures for Handling Material Inside Information", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Codes of Ethical Conduct", and "Supplier Code of Conduct". These regulations can be found on the Company's website (website: <http://www.wtmec.com>), the Market Observation Post System or the Company's annual reports.

9. Other significant information which may improve the understanding of corporate governance and operation:

- (1) In addition to disclosing in the Corporate Governance section of the Market Observation Post System, the Company also discloses corporate governance related operations in the format of material information to investors in a timely manner, depending on the materiality.
- (2) The Company regularly holds investor conferences, and the relevant materials of the investor conferences are disclosed on the Company's website and the Market Observation Post System.
- (3) Continuing education for the Company's executive officers in 2019:

Title	Name	Date	Organizer	Course Name	Hours
President	Cheng, Wen-Tsung	2019/04/26	Securities & Futures Institute	The 2019 Advocacy Briefing on Prevention of Insider Trading	3 hours
		2019/12/24	Taiwan Corporate Governance Association	Legal risks of business administration and crisis management	3 hours
Senior Vice President	Hsu, Wen-Hung	2019/07/16	Securities & Futures Institute	How directors and supervisors supervise the Company in strengthening its internal control system and internal auditing system	3 hours
		2019/07/17	Securities & Futures Institute	Securities fraud - Illegal issuance of stocks and corporate bonds	3 hours
		2019/07/23	Securities & Futures Institute	Legal risks and responses of directors and supervisors from the perspective of major corruption cases	3 hours
		2019/07/24	Securities & Futures Institute	Listed and Unlisted Public Companies' Insider Equity Transaction Compliance Advocacy Briefing	3 hours
		2019/08/13	Accounting Research and Development Foundation	Corporate governance practices: Effect of the new "Labor Incident Act" on companies and responses	3 hours
		2019/08/14	Securities & Futures Institute	Employee Reward Strategies and Tools	3 hours
Vice President and CFO	Yang, Hsing-Yu	2019/10/29, 11/19, 11/28, and 12/11	Securities & Futures Institute	Continuing Education of Accounting Supervisors	12 hours

10. Implementation of internal control system:
(1) Internal Control System Statement

WT Microelectronics Co., Ltd. Internal Control System Statement

Date: February 15, 2020

In 2019, the Company conducted an internal audit of its internal control system and hereby declares the following:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement was passed by the Board of Directors on February 15, 2020, with none of the six attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**WT Microelectronics Co., Ltd.
Chairman and President: Cheng, Wen-Tsung**

(2) If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

11. If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

12. Important resolutions adopted in shareholders meeting and board of directors' meeting in the past year and up to the date of report:

(1) Major resolutions of the Board of Directors:

Date	Major resolutions
January 9, 2019	<ol style="list-style-type: none"> 1. Passed the proposal for the 2019 business plan. 2. Passed the proposal for the 2018 executive officers' year-end bonuses and performance bonuses. 3. Passed the proposal for the 2019 executive officers' salary compensations. 4. Passed the proposal for changing CPAs. 5. Passed the proposal for the appointment and independence assessment of CPAs. 6. Passed the proposal for setting the record date for capital increase by shares converted from the Company's fifth unsecured convertible corporate bonds. 7. Passed the proposal for providing endorsements/guarantees for the subsidiary, Maxtek Technology Co., Ltd., to obtain purchase credit line of NT\$12 million from a supplier.
February 19, 2019	<ol style="list-style-type: none"> 1. Passed the proposal to make a donation to the WT Education Foundation. 2. Passed the proposal for the 2019 Q1 summary consolidated financial forecast. 3. Passed the proposal to continue providing joint guarantee for the subsidiaries, WT Technology Korea Co., Ltd., Wonchang Semiconductor Co., Ltd., and WT Microelectronics (Shanghai) Co., Ltd., to obtain credit lines from banks.
March 22, 2019	<ol style="list-style-type: none"> 1. Passed the proposal for the 2018 distribution of remuneration to employees, directors, and supervisor. 2. Passed the proposal for the 2018 Business Report and Financial Statements. 3. Passed the proposal for the amendment to the "Articles of Incorporation". 4. Passed the proposal for the amendment to the "Rules for Election of Directors and Supervisors". 5. Passed the proposal for election of the 9th-term Board of Directors. 6. Passed the proposal for the establishment of the "Audit Committee Charter" . 7. Passed the proposal for the amendment to the

Date	Major resolutions
	<p>"Procedures for Acquisition or Disposal of Assets".</p> <ol style="list-style-type: none"> 8. Passed the proposal for related matters of convening the Company's 2019 annual shareholders' meeting. 9. Passed the proposal for the Company's 2018 internal control system effectiveness assessment and internal control system statement.
May 8, 2019	<ol style="list-style-type: none"> 1. Passed the proposal for the 2019 Q2 summary consolidated financial forecast. 2. Passed the proposal for 2018 earnings distribution. 3. Passed the proposal for the amendment to the "Articles of Incorporation". 4. Passed the proposal for the amendment to the "Procedures for Lending Funds and Endorsement & Guarantee". 5. Passed the proposal for nominating director (including independent director) candidates. 6. Passed the proposal lift the non-compete clause for directors of the Company. 7. Passed the proposal for issuing the sixth domestic unsecured convertible corporate bonds. 8. Passed the proposal for setting the record date for capital increase by shares converted from the Company's fifth unsecured convertible corporate bonds. 9. Passed the proposal for appointing the corporate governance supervisor. 10. Passed the proposal for establishing the "Standard Operating Procedures for Handling Requests from Directors". 11. Passed the proposal to continue providing joint guarantee for the subsidiary, WT Microelectronics (Shenzhen) Co., Ltd. to obtain credit lines from banks.
June 21, 2019	<ol style="list-style-type: none"> 1. Passed the proposal to elect the chairperson of 9th Board Directors. 2. Passed the proposal to appoint members of the 4th-term Remuneration Committee.
August 8, 2019	<ol style="list-style-type: none"> 1. Passed the proposal for the 2019 Q3 summary consolidated financial forecast. 2. Passed the proposal for the 2018 annual financial statements of the Hong Kong branch. 3. Passed the proposed distribution of remuneration to the Company's directors and supervisors. 4. Passed the proposal for setting the record date for capital increase by shares converted from the Company's fifth unsecured convertible corporate bonds. 5. Passed amendments to the Procedures for Handling Material Inside Information, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Code of Ethical Conduct, Stock Trading Halt and Resumption Application Procedure, Rules of Procedures for Board of Directors,

Date	Major resolutions
	<p>Remuneration Committee Charter, and Audit Committee Charter.</p> <p>6. Passed the proposal to lend RMB200 million to the subsidiary, WT Microelectronics (Shanghai) Co., Ltd.</p> <p>7. Passed the proposal for the Company to provide endorsements and guarantees for the subsidiary, Morrihan International Corp. and Hongtech Electronics Co., Ltd., to obtain purchase credit line from suppliers.</p> <p>8. Passed the proposal to continue providing associated guarantees for the subsidiaries, WT Microelectronics (Shanghai) Co., Ltd., WT Microelectronics (Shenzhen) Co., Ltd., and Lacewood International Corp. to obtain a credit line from banks.</p> <p>9. Passed the proposal to amend the Internal Control System.</p>
October 17, 2019	<p>1. Passed the proposal to issue employee stock warrants in 2019.</p> <p>2. Passed the proposal for the Company to continue providing joint guarantees for the subsidiary, Morrihan Singapore Pte. Ltd., to obtain credit lines from banks.</p>
November 11, 2019	<p>1. Passed the proposal for the 2019 Q4 summary consolidated financial forecast.</p> <p>2. Passed the proposal for the 2020 audit plan.</p> <p>3. Passed the investment of the Company's undistributed earnings in 2018.</p>
November 22, 2019	<p>1. Passed the verification and review of the identity and financial condition, fairness of the offer, and reasonableness of the source of funds for the public tender offering WPG Holdings, and provided recommendations to the Company's shareholders for the acquisition.</p>
December 16, 2019	<p>1. Passed two revisions to the Company's formal description of documents related to the public tender offer for WPG Holdings on December 4 and 6, 2019.</p>

(2) Major resolutions of the shareholders' meeting and implementation:

Date	Major resolutions
June 21, 2019	<p>1. Acknowledged the 2018 Business Report and Financial Statements.</p> <p>2. Acknowledged the 2018 earning distribution. Implementation status: The 2018 earning distribution has been fully allocated. September 4, 2019 is set as the ex-dividend date and September 23 of the same year is set as the cash dividend payment date. The cash dividend is NT\$2.36 per share.</p> <p>3. Passed the proposal for the amendment to the "Articles of Incorporation". Implementation status: Approved and registered by the Ministry of Economic Affairs on July 4, 2019, and</p>

	<p>related matters were handled in accordance with amended regulations.</p> <p>4. Passed the proposal for the amendment to the "Procedures for Acquisition or Disposal of Assets" and "Procedures for Lending Funds and Endorsement & Guarantee". Implementation status: The amended "Procedures for Acquisition or Disposal of Assets" and "Procedures for Lending Funds and Endorsement & Guarantee" were uploaded to the Market Observation Post System and disclosed on the company website on July 1, 2019, and matters were handled in accordance with the amended procedures.</p> <p>5. Passed the proposal for the amendment to the "Rules for Election of Directors and Supervisors". Implementation status: Matters are being handled in accordance with the amended rules, which are disclosed on the company website.</p> <p>6. Election of the 9th-term directors. Implementation status: Directors elected to the 9th-term Board of Directors are as follows Directors (4 seats): Cheng, Wen-Tsung, Hsu, Wen-Hung, Wen You Investment Co., Ltd. Representatives: Cheng, Ken-Yi and Kao, Hsin-Ming. Independent Directors (3 seats): Cheng, Tien-Chong, Kung, Ju-Chin, and Lin, Che-Wei Approved and registered by the Ministry of Economic Affairs on July 4, 2019.</p>
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13. Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.
14. Resignation and dismissal of managerial officers related to the financial report (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor) in the past year and up to the date of report: None.

D. Information on fees to CPA

1. Accountants' fee brackets:

Name of accounting firm	Name of CPA		Audit period	Notes
PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu	Han-chi Wu	2019	

Unit: NT\$1,000

Range of amount		Fees classification	Audit fee	Non-audit fee	Total
1	Less than NT\$2,000,000			V	1,700
2	NT\$2,000,000 (inclusive) to NT\$4,000,000				
3	NT\$4,000,000 (inclusive) to NT\$6,000,000		V		5,750
4	NT\$6,000,000 (inclusive) to NT\$8,000,000				
5	NT\$8,000,000 (inclusive) to NT\$10,000,000				
6	NT\$10,000,000 (inclusive) or above				

2. If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

Information on fees to CPA

Unit: NT\$1,000

Name of accounting firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Notes
			System design	Industrial and commercial registration	Human Resources	Other	Subtotal		
PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu	5,750				1,700	1,700	2019/01/01	(Note)
	Han-chi Wu							2019/12/31	

Note: Other items of the non-audit fees: NT\$550,000 for providing transfer pricing analysis, NT\$700,000 for providing the Group's master file and country-by-country report, NT\$150,000 for the Corporate Social Responsibility Report, NT\$200,000 for providing an assessment of the Group's organizational restructuring, and NT\$100,000 for providing perennial tax consulting service.

3. If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.
4. If the audit fees were reduced more than 15% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

E. Information on the replacement of CPA:

1. About the former CPA:

Date of Change	Approved by the Board of Directors on January 9, 2019		
Reason for change and explanation	Due to the internal organizational adjustment of the accounting firm		
State whether the Appointment is Terminated or Rejected by the Appointor or CPAs	The Parties		Accountant
	Status		Appointor
	Appointment terminated automatically		N/A
	Appointment rejected (discontinued)		N/A
Reasons for issuing audit reports other than unqualified opinion in the last two years	None		
Is there any disagreement in opinion with the issuer	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Auditing scope or procedures	
		Other	
	None	V	
	Description		
Supplementary Disclosure (In accordance with the disclosures specified in Article 10, Subparagraph 6, Items 1-4 to 1-7 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

2. About the successor CPA:

Accounting firm name:	PricewaterhouseCoopers Taiwan
Name of CPA	Juanlu, Man-Yu, Wu, Han-Chi
Date of appointment	Approved by the Board of Directors on January 9, 2019
Prior to the appointment, any inquiry or consultation and results on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written opinions from the successor CPAs that are different from the former CPA's opinions	None

F. The chairperson, president, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year: None.

G. Share transfer by directors, supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

1. Changes in the equity of directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2019		As of February 17, 2020	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairperson and President	Cheng, Wen-Tsung	—	12,400,000	—	(12,400,000)
Director and Senior Vice President	Hsu, Wen-Hung	—	(22,000)	—	—
Director	Kao, Hsin-Ming	—	—	—	—
Director	Wen You Investment Co., Ltd.	—	(615,000)	—	—
Representative of legal person director	Cheng, Ken-Yi (Wen You Investment Co., Ltd.)	—	—	—	—
Independent Director	Cheng, Tien-Chong	—	—	—	—
Independent Director	Kung, Ju-Chin	—	—	—	—
Independent Director	Lin Che-Wei	—	—	—	—
Supervisor	Tang Ye Investment Co., Ltd.	—	—	N/A	N/A
Representative of legal person supervisor	Wu, Chih-Hsiung (Tang Ye Investment Co., Ltd.)	—	—	N/A	N/A
Supervisor	Hu, Hsiu-Hsing	—	—	N/A	N/A
Senior Vice President	Jack Yang	—	—	—	—
Senior Vice President	James Wen	—	—	—	—
Senior Vice President	Rick Chang	—	—	—	—
Vice President	Willie Sun	10,000	—	—	—
Vice President and CFO	Yang, Hsing-Yu	13,000	—	—	—
Assistant Vice President and Finance Supervisor	Jason Lu	—	—	—	—
Major shareholder	WPG Holdings	N/A	N/A	177,110,000	—

2. Shares Trading with Related Parties: None.

3. Shares Pledge with Related Parties: None.

H. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

January 28, 2020 (Book Closure Date)

Name (Note 1)	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	Relationship	
Cheng, Wen-Tsung	28,177,112	4.75%	8,356,543	1.41%	0	0%	Hsu, Wen-Hung Shao Yang Investment Limited	Spouse Representative	None
Investment account of CIBC World Markets Inc. under the custody of the Business Department, Standard Chartered Bank	21,431,138	3.62%	0	0%	0	0%	None	None	None
First Private High No. 5	17,789,457	3.00%	0	0%	0	0%	None	None	None
Prodigy Fund SPC	12,818,206	2.16%	0	0%	0	0%	None	None	None
Jia Yuan Investment Co., Ltd. Representative: Tang, Chu-Lieh	9,589,000 0	1.62% 0%	0 0	0% 0%	0 0	0% 0%	None	None	None
Investment account of Sandong Investment Co., Ltd. under the custody of Bank SinoPac	9,412,000	1.59%	0	0%	0	0%	None	None	None
Shao Yang Investment Limited Representative: Cheng, Wen-Tsung	9,137,911 28,177,112	1.54% 4.75%	0 8,356,543	0% 1.41%	0 0	0% 0%	Cheng, Wen-Tsung Hsu, Wen-Hung	Representative Directors	None
Investment account of Vanguard Total International Stock Index Fund of Progressive Global Investment Advisor Limited under the custody of J.P. Morgan Taipei Branch	8,514,296	1.44%	0	0%	0	0%	None	None	None
Hsu, Wen-Hung	8,356,543	1.41%	28,177,112	4.75%	0	0%	Cheng, Wen-Tsung	Spouse	None
Dimension Emerging Market Evaluation Fund under the custody of Citibank (Taiwan)	7,588,751	1.28%	0	0%	0	0%	None	None	None

Note 1: The names of all top ten shareholders shall be listed, and the names of institutional shareholder and representative shall be listed separately.

Note 2: The shareholding percentage is calculated based on the total number of outstanding shares of 592,604,419.

- I. The number of shares of the same invested company held by the Company, the Company's directors, supervisors, and executive officers, and the businesses controlled directly or indirectly by the Company, and the consolidated shareholding ratio:

December 31, 2019 / Unit: 1000 shares

Invested company	Investment by the Company		Investments from directors, supervisors, executive officers and their directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
Wintech Microelectronics Holding Limited	115,324	99.65	407	0.35	115,731	100.00
Techmosa International Inc.	73,949	100.00	—	—	73,949	100.00
Nuvison Technology Inc.	28,217	99.91	—	—	28,217	99.91
Milestone Investment Co., Ltd.	4,500	100.00	—	—	4,500	100.00
Sinyie Investment Co., Ltd.	2,900	100.00	—	—	2,900	100.00
AboveE Technology Inc.	500	100.00	—	—	500	100.00
Morrihan International Corp.	283,760	100.00	—	—	283,760	100.00
Maxtek Technology Co., Ltd.	70,220	100.00	—	—	70,220	100.00
BSI Semiconductor Pte. Ltd.	7,544	100.00	—	—	7,544	100.00
MSD Holdings Pte. Ltd.	200	100.00	—	—	200	100.00
Promising Investment Limited	—	—	62,333	100.00	62,333	100.00
Wintech Investment Co., Ltd.	—	—	21,021	100.00	21,021	100.00
WT Microelectronics(Shanghai)Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
Wintech Microelectronics Ltd.	—	—	3,000	100.00	3,000	100.00
Wintech Microelectronics Limited	—	—	5	100.00	5	100.00
WT Technology Pte. Ltd.	—	—	5,000	100.00	5,000	100.00
WT Solomon QCE Limited	—	—	110,000	100.00	110,000	100.00
WT Microelectronics(Hong Kong)Limited	—	—	12,528	100.00	12,528	100.00
Nino Capital Co., Ltd.	—	—	311	100.00	311	100.00
Rich Web Ltd.	—	—	22,974	100.00	22,974	100.00
WT Technology(H.K.)Limited	—	—	1,000	100.00	1,000	100.00
WT Microelectronics Singapore Pte. Ltd.	—	—	1,500	100.00	1,500	100.00
WT Microelectronics(Malaysia)Sdn. Bhd.	—	—	500	100.00	500	100.00
WT Technology Korea Co., Ltd.	—	—	3,980	100.00	3,980	100.00
Shanghai WT Microelectronics Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
WT Microelectronics(Shenzhen)Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
WT Microelectronics(Thailand)Co., Limited.	—	—	300	100.00	300	100.00
WT Microelectronics India Private Limited	—	—	700	100.00	700	100.00
Hotech Electronics Corp.	—	—	500	100.00	500	100.00
Asia Latest Technology Limited	—	—	1,120	100.00	1,120	100.00
Morrihan International Trading (Shanghai) Co., Ltd.	—	—	Note 2	100.00	Note 2	100.00
JCD Optical(CAYMAN)Co., Ltd.	—	—	5,869	23.07	5,869	23.07
Supreme Mega Ltd.	—	—	14,917	47.98	14,917	47.98
Joy Capital Ltd.	—	—	1,200	17.65	1,200	17.65
Rainbow Star Group Limited	—	—	19	24.65	19	24.65
Anius Enterprise Co., Ltd.	—	—	0.001	100.00	0.001	100.00
Mega Source Co., Ltd.	—	—	0.001	100.00	0.001	100.00
Morrihan Singapore Pte. Ltd.	—	—	9,500	100.00	9,500	100.00
Wonchang Semiconductor Co., Ltd.	—	—	54	100.00	54	100.00
Techmosa International Holding Ltd.	—	—	0.001	100.00	0.001	100.00
Hongtech Electronics Co., Ltd.	—	—	11,500	100.00	11,500	100.00
Lacewood International Corp.	—	—	30	100.00	30	100.00
Best Winner International Development Ltd.	—	—	6	100.00	6	100.00
Maxtek International (HK) Limited	—	—	6,000	100.00	6,000	100.00
Qwave Technology Co., Ltd.	—	—	4,000	40.00	4,000	40.00

Note 1: This table is based on the Company's investments accounted for using equity method.

Note 2: The invested company has not issued shares, so there are no shares held.

IV. Capital overview

A. Capital and shareholding

1. Sources of capital:

February 17, 2020
Unit: Shares/NT\$ thousand

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
1993.12	10	1,000,000	10,000,000	1,000,000	10,000,000	Establishment capital	—	—
1997.02	10	4,000,000	40,000,000	4,000,000	40,000,000	Cash capital increase \$30,000,000	—	Jing (1997) Shang No. 102358 dated February 24, 1997
1998.08	10	20,000,000	200,000,000	8,000,000	80,000,000	Cash capital increase \$40,000,000	—	Jing (1998)-Shang No. 126008 dated August 31, 1998
1999.05	10	20,000,000	200,000,000	19,920,000	199,200,000	Capital increase of NT\$119,200,000 from capital surplus	—	Jing (1999)-Shang No. 118977 dated May 31, 1999
1999.08	10	45,000,000	450,000,000	26,420,000	264,200,000	Capital increase of NT\$15,000,000 from earnings Cash capital increase \$50,000,000	—	Jing (1999)-Shang No. 131744 dated August 31, 1999
2000.01	10	45,000,000	450,000,000	36,000,000	360,000,000	Cash capital increase \$95,800,000	—	Jing (2000)-Shang No. 147621 dated January 4, 2000
2000.07	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Capital increase from earnings \$72,000,000 Cash capital increase \$168,000,000	—	Jing (2000)-Shang No. 124682 dated July 20, 2000
2001.07	10	110,000,000	1,100,000,000	73,600,000	736,000,000	Capital increase of NT\$96,000,000 from earnings Capital increase of NT\$30,000,000 from capital surplus Capital increase of NT\$10,000,000 from employee bonuses	—	Jing (2001)-Shang No. 09001239630 dated July 5, 2001
2001.07	10	110,000,000	1,100,000,000	83,600,000	836,000,000	Cash capital increase of NT\$100,000,000	—	Jing (2001)-Shang No. 09001273340 dated July 23, 2001
2001.11	10	162,000,000	1,620,000,000	83,600,000	836,000,000	—	—	Jing (2001)-Shang No. 09001459820 dated November 21, 2001
2002.05	10	162,000,000	1,620,000,000	88,074,070	880,740,700	Share capital of NT\$44,740,700 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09101151070 dated May 7, 2002
2002.09	10	207,000,000	2,070,000,000	99,801,330	998,013,300	Capital increase of NT\$26,422,200 from earnings Capital increase of NT\$17,614,800 from capital surplus Capital increase of NT\$16,000,000 from employee bonuses Share capital of NT\$57,235,600 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09101388030 dated September 24, 2002

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2002.10	10	207,000,000	2,070,000,000	100,224,254	1,002,242,540	Share capital of NT\$4,229,240 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09101423080 dated October 18, 2002
2003.02	10	207,000,000	2,070,000,000	100,318,692	1,003,186,920	Share capital of NT\$944,380 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09201035450 dated February 7, 2003
2003.02	10	207,000,000	2,070,000,000	101,251,497	1,012,514,970	Share capital of NT\$9,328,050 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09201048310 dated February 18, 2003
2003.07	10	207,000,000	2,070,000,000	102,790,884	1,027,908,840	Share capital of NT\$15,393,870 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09201223510 dated July 29, 2003
2003.09	10	207,000,000	2,070,000,000	117,256,123	1,172,561,230	Capital increase of NT\$50,549,240 from earnings Capital increase of NT\$21,000,000 from employee bonuses Share capital of NT\$73,103,150 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09201262100 dated September 9, 2003
2003.10	10	207,000,000	2,070,000,000	120,548,840	1,205,488,400	Share capital of NT\$32,927,170 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09201295170 dated October 23, 2003
2004.02	10	207,000,000	2,070,000,000	121,483,575	1,214,835,750	Share capital of NT\$8,947,350 converted from convertible corporate bonds Share capital of NT\$400,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09301019930 dated February 9, 2004
2004.04	10	207,000,000	2,070,000,000	123,607,135	1,236,071,350	Share capital of NT\$20,295,600 converted from convertible corporate bonds Share capital of NT\$940,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09301074650 dated April 28, 2004
2004.07	10	207,000,000	2,070,000,000	123,727,135	1,237,271,350	Share capital of NT\$1,200,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09301132380 dated July 29, 2004
2004.09	10	207,000,000	2,070,000,000	132,747,513	1,327,475,130	Capital increase of NT\$59,203,780 from earnings Capital increase of NT\$31,000,000 from employee bonuses	—	Jing-Shou-Shang-Zi No. 09301161020 dated September 6, 2004
2004.10	10	207,000,000	2,070,000,000	132,813,301	1,328,133,010	Share capital of NT\$657,880 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09301200180 dated October 29, 2004

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2005.01	10	207,000,000	2,070,000,000	132,887,860	1,328,878,600	Share capital of NT \$745,590 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09401008850 dated January 19, 2005
2005.04	10	207,000,000	2,070,000,000	133,098,380	1,330,983,800	Share capital of NT \$2,105,200 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 09401069970 dated April 25, 2005
2005.09	10	285,000,000	2,850,000,000	159,838,821	1,598,388,210	Capital increase of NT\$162,431,720 from earnings Capital increase of NT\$40,000,000 from employee bonuses Capital increase of NT\$64,972,690 from capital surplus	—	Jing-Shou-Shang-Zi No. 09401177660 dated September 14, 2005
2006.01	10	285,000,000	2,850,000,000	159,685,821	1,596,858,210	Capital decrease of NT\$1,530,000 by canceling treasury stock	—	Jing-Shou-Shang-Zi No. 09501000970 dated January 4, 2006
2006.09	10	285,000,000	2,850,000,000	160,039,140	1,600,391,400	Share capital of NT\$553,190 converted from convertible corporate bonds, share capital of NT\$2,980,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09501238570 dated October 23, 2006
2006.10	10	285,000,000	2,850,000,000	168,605,885	1,686,058,850	Capital increase from earnings \$45,667,450 Capital increase from employee bonuses \$40,000,000	—	Jing-Shou-Shang-Zi No. 09501239340 dated November 1, 2006
2007.01	10	285,000,000	2,850,000,000	171,332,885	1,713,328,850	Share capital of NT\$27,270,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09601011050 dated January 18, 2007
2007.04	10	285,000,000	2,850,000,000	171,641,885	1,716,418,850	Share capital of NT\$3,090,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09601086210 dated April 23, 2007
2007.07	10	285,000,000	2,850,000,000	171,962,885	1,719,628,850	Share capital of NT\$3,210,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09601166330 dated July 17, 2007
2007.09	10	285,000,000	2,850,000,000	180,433,312	1,804,333,120	Capital increase from earnings \$49,704,270 Capital increase from employee bonuses \$35,000,000	—	Jing-Shou-Shang-Zi No. 09601228570 dated September 17, 2007
2007.10	10	285,000,000	2,850,000,000	182,770,666	1,827,706,660	Share capital of NT\$18,908,540 converted from convertible corporate bonds, and share capital of NT\$4,465,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09601255580 dated October 19, 2007

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2007.10	10	285,000,000	2,850,000,000	207,770,666	2,077,706,660	Cash capital increase \$250,000,000	—	Jing-Shou-Shang-Zi No. 09601264920 dated October 29, 2007
2008.01	10	285,000,000	2,850,000,000	208,520,362	2,085,203,620	Share capital of NT\$2,571,960 converted from convertible corporate bonds, and share capital of NT\$4,925,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09701011070 dated January 17, 2008
2008.04	10	285,000,000	2,850,000,000	208,696,362	2,086,963,620	Share capital of NT\$1,760,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09701090270 dated April 16, 2008
2008.07	10	285,000,000	2,850,000,000	209,897,867	2,098,978,670	Share capital of NT\$240,050 converted from convertible corporate bonds, and share capital of NT\$11,775,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09701176230 dated July 22, 2008
2008.09	10	500,000,000	5,000,000,000	227,233,986	2,272,339,860	Capital increase from earnings \$103,361,190 Capital increase from employee bonuses \$70,000,000	—	Jing-Shou-Shang-Zi No. 09701226080 dated September 5, 2008
2008.10	10	500,000,000	5,000,000,000	227,308,486	2,273,084,860	Share capital of NT\$745,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09701264970 dated October 17, 2008
2009.01	10	500,000,000	5,000,000,000	227,576,486	2,275,764,860	Share capital of NT\$2,680,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 09801010610 dated January 16, 2009
2009.04	10	500,000,000	5,000,000,000	226,928,486	2,269,284,860	Capital decrease of NT\$6,480,000 by canceling treasury stock	—	Jing-Shou-Shang-Zi No. 09801076660 dated April 21, 2009
2009.07	10	500,000,000	5,000,000,000	225,650,486	2,256,504,860	Capital decrease of NT\$12,780,000 by canceling treasury stock	—	Jing-Shou-Shang-Zi No. 09801155520 dated July 15, 2009
2009.09	10	500,000,000	5,000,000,000	246,559,286	2,465,592,860	Capital increase of NT\$209,088,000 converted from shares	—	Jing-Shou-Shang-Zi No. 09801202130 dated September 7, 2009
2009.09	10	500,000,000	5,000,000,000	250,247,336	2,502,473,360	Capital increase from earnings \$22,268,050 Capital increase of NT\$14,612,450 from employee bonuses	—	Jing-Shou-Shang-Zi No. 09801220380 dated September 23, 2009
2011.04	10	500,000,000	5,000,000,000	251,917,336	2,519,173,360	Share capital of NT\$16,700,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10001081830 dated April 26, 2011

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2011.07	10	500,000,000	5,000,000,000	252,321,336	2,523,213,360	Share capital of NT\$4,040,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10001160200 dated July 20, 2011
2011.08	10	500,000,000	5,000,000,000	257,309,743	2,573,097,430	Capital increase from earnings \$49,884,070	—	Jing-Shou-Shang-Zi No. 10001185140 dated August 16, 2011
2011.09	10	500,000,000	5,000,000,000	287,309,743	2,873,097,430	Cash capital increase \$300,000,000	—	Jing-Shou-Shang-Zi No. 10001217080 dated September 16, 2011
2011.10	10	500,000,000	5,000,000,000	287,582,743	2,875,827,430	Share capital of NT\$2,730,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10001238530 dated October 17, 2011
2012.01	10	500,000,000	5,000,000,000	288,224,743	2,882,247,430	Share capital of NT\$6,420,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10101008880 dated January 17, 2012
2012.02	10	500,000,000	5,000,000,000	328,674,884	3,286,748,840	Capital increase of NT\$404,501,410 converted from shares	—	Jing-Shou-Shang-Zi No. 10101020360 dated February 8, 2012
2012.04	10	500,000,000	5,000,000,000	329,204,884	3,292,048,840	Share capital of NT\$5,300,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10101064440 dated April 13, 2012
2012.07	10	500,000,000	5,000,000,000	329,350,884	3,293,508,840	Share capital of NT\$1,460,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10101135740 dated July 12, 2012
2012.08	10	500,000,000	5,000,000,000	336,530,111	3,365,301,110	Capital increase from earnings \$97,992,270 Capital decrease of NT\$26,200,000 by canceling treasury stock	—	Jing-Shou-Shang-Zi No. 10101171020 dated August 21, 2012
2012.10	10	500,000,000	5,000,000,000	337,176,111	3,371,761,110	Share capital of NT\$6,460,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10101214010 dated October 16, 2012
2013.01	10	500,000,000	5,000,000,000	337,565,111	3,375,651,110	Share capital of NT\$3,890,000 converted from employee stock warrants	—	Jing-Shou-Shang-Zi No. 10201002180 dated January 4, 2013
2014.08	10	500,000,000	5,000,000,000	354,443,367	3,544,433,670	Capital increase from earnings \$168,782,560	—	Jing-Shou-Shang-Zi No. 10301168370 dated August 15, 2014
2015.03	10	500,000,000	5,000,000,000	406,943,367	4,069,433,670	Cash capital increase \$525,000,000	—	Jing-Shou-Shang-Zi No. 10401047010 dated March 24, 2015
2015.08	10	500,000,000	5,000,000,000	447,637,704	4,476,377,040	Capital increase from earnings \$406,943,370	—	Jing-Shou-Shang-Zi No. 10401174520 dated August 21, 2015
2016.08	10	500,000,000	5,000,000,000	470,019,590	4,700,195,900	Capital increase from earnings \$223,818,860	—	Jing-Shou-Shang-Zi No. 10501204690 dated August 23, 2016

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2016.11	10	500,000,000	5,000,000,000	471,519,573	4,715,195,730	Share capital of NT \$14,999,830 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10501270180 dated November 22, 2016
2017.04	10	500,000,000	5,000,000,000	475,702,899	4,757,028,990	Share capital of NT \$41,833,260 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10601048110 dated April 17, 2017
2017.07	10	500,000,000	5,000,000,000	475,741,787	4,757,417,870	Share capital of NT \$388,880 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10601102780 dated July 21, 2017
2017.11	10	500,000,000	5,000,000,000	477,222,724	4,772,227,240	Share capital of NT \$14,809,370 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10601159910 dated November 29, 2017
2018.01	10	700,000,000	7,000,000,000	552,222,724	5,522,227,240	Cash capital increase \$750,000,000	—	Jing-Shou-Shang-Zi No. 10601174870 dated January 2, 2018
2018.01	10	700,000,000	7,000,000,000	552,261,880	5,522,618,800	Share capital of NT \$391,560 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10701011480 dated January 31, 2018
2018.05	10	700,000,000	7,000,000,000	552,545,012	5,525,450,120	Share capital of NT \$2,831,320 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10701053950 dated May 25, 2018
2018.07	10	700,000,000	7,000,000,000	552,569,108	5,525,691,080	Share capital of NT \$240,960 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10701089470 dated July 24, 2018
2018.11	10	700,000,000	7,000,000,000	555,188,915	5,551,889,150	Share capital of NT \$26,198,070 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10701143110 dated November 27, 2018
2019.01	10	700,000,000	7,000,000,000	557,610,620	5,576,106,200	Share capital of NT \$24,217,050 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10801008050 dated January 19, 2019
2019.05	10	1,000,000,000	10,000,000,000	586,642,530	5,866,425,300	Share capital of NT\$290,319,100 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10801055680 dated May 16, 2019
2019.08	10	1,000,000,000	10,000,000,000	590,335,811	5,903,358,110	Share capital of NT\$36,932,810 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10801114340 dated August 19, 2019
2020.02	10	1,000,000,000	10,000,000,000	591,436,868	5,914,368,680	Share capital of NT\$11,010,570 converted from convertible corporate bonds	—	Jing-Shou-Shang-Zi No. 10901006700 dated February 3, 2020

Unit: shares

Type of stock	Authorized capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Registered Common shares	592,604,419	407,395,581	1,000,000,000	None

Note: Shares of listed companies, including 1,167,551 shares of convertible corporate bonds that has not completed registration.

2. Information on shelf registration: None.

3. Shareholder structure:

Record date of shareholding: January 28, 2020 (Book Closure Date)

Shareholder structure	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Quantity						
Head count	1	17	363	90,194	182	90,757
Number of shares held	2,009,057	34,567,162	77,749,965	331,525,904	146,752,331	592,604,419
Shareholding percentage	0.34%	5.83%	13.12%	55.94%	24.77%	100.00%

4. Dispersion of equity ownership:

(1) Distribution Profile of Common Shares Ownership:

January 28, 2020 (Book Closure Date)

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	16,769	1,869,244	0.32%
1,000 to 5,000	67,567	85,198,566	14.38%
5,001 to 10,000	2,902	22,014,808	3.71%
10,001 to 15,000	995	12,359,636	2.09%
15,001 to 20,000	659	11,847,215	2.00%
20,001 to 30,000	583	14,612,068	2.47%
30,001 to 40,000	326	11,564,802	1.95%
40,001 to 50,000	206	9,514,213	1.61%
50,001 to 100,000	317	22,922,099	3.87%
100,001 to 200,000	215	30,130,153	5.08%
200,001 to 400,000	86	24,545,678	4.14%
400,001 to 600,000	33	15,840,411	2.67%
600,001 to 800,000	11	7,483,565	1.26%
800,001 to 1,000,000	12	11,132,233	1.88%
1,000,001 or more	76	311,569,728	52.57%
Total	90,757	592,604,419	100.00%

(2) Dispersion of Preferred Share Ownership: N/A.

5. List of Major Shareholders (top 10 shareholding):

Name of major shareholder	Number of shares held	Shareholding percentage
Cheng, Wen-Tsung	28,177,112	4.75%
Investment account of CIBC World Markets Inc. under the custody of the Business Department, Standard Chartered Bank	21,431,138	3.62%
First Private High No. 5	17,789,457	3.00%
Prodigy Fund SPC	12,818,206	2.16%
Jia Yuan Investment Co., Ltd.	9,589,000	1.62%
Investment account of Sandong Investment Co., Ltd. under the custody of Bank SinoPac	9,412,000	1.59%
Shao Yang Investment Limited	9,137,911	1.54%
Investment account of Vanguard Total International Stock Index Fund of Progressive Global Investment Advisor Limited under the custody of J.P. Morgan Taipei Branch	8,514,296	1.44%
Hsu, Wen-Hung	8,356,543	1.41%
Dimension Emerging Market Evaluation Fund under the custody of Citibank (Taiwan)	7,588,751	1.28%

6. Stock price, net worth, earnings, dividends and related information for the previous two years:

		Year		As of February 17, 2020 (Note 8)	
		2018	2019		
Item					
Stock price (Note 1)	Max	47.70	43.65	43.55	
	Low	38.40	34.50	36.65	
	Average	43.99	40.09	41.45	
Net worth per share	Before distribution	39.11	39.70	—	
	After distribution	36.62 (Note 2)	36.92 (Note 3)	—	
Earnings per share	Weighted Average Shares (thousand shares)	553,629	585,359	—	
	Diluted Earnings Per Share	5.02	4.32	—	
	Adjusted Diluted Earnings Per Share (Note 4)	5.02	4.32	—	
Dividends per share (Note 3)	Cash dividends	2.36	2.77606941	—	
	Stock dividends	Earnings	—	—	—
		Capital surplus	—	—	—
	Accumulated unpaid dividend	—	—	—	
Return analysis	Price-earnings ratio (Note 5)	8.73	9.18	—	
	Price-dividend ratio (Note 6)	18.58	14.28	—	
	Cash dividend yield (Note 7)	5.38%	7.00%	—	

* If there is surplus or capital reserve to increase capital allocation, the market price and cash dividend information retrospectively adjusted based on the number of shares shall be disclosed.

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Based on the distribution resolved by the shareholders meeting of the next year.

Note 3: The distribution of 2019 earnings of the Company is in accordance with the resolution of the Board meeting on February 15, 2020.

Note 4: Based on the weighted average number of outstanding shares in the current year and retrospectively adjusted over the increased weighted average of outstanding shares through capital increases out of earnings or capital surplus throughout the years.

Note 5: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 6: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / year's average per share closing price.

Note 8: For the net value per share and earnings per share, data as of the printing date of the annual report has not been certified by CPAs; for the other columns, data was for up to the printing date (February 17, 2020) of the Annual Report in the current year.

7. Dividend policy and implementation status:

(1) Dividend policy:

The Company's dividend policy is based on the following guidelines:

The Company's dividend policy is determined by the Board of Directors based on its operational planning, investment plans, capital budgets, and internal and external environmental changes. The Company's business is currently in a growth stage, the earnings shall be held to respond to funds required for operational growth and investments. Currently, the Company adopts the minimum cash dividends plus additional dividends. The earnings are distributed as follows:

The earning distribution is based on the principle of not less than 40% of the distributable earnings for the year. Considering future profits and growing demand on funds, for the distribution of stock dividends and cash dividends, the distribution of cash dividends shall not be less than 10% of the dividends distributed in the current year. If the total earning distribution exceeds 30% of the paid-up capital before the distribution, the cash dividend shall not be less than 20% of the dividends distributed in the current year.

(2) Dividend distribution to be proposed to the shareholders' meeting:

WT Microelectronics Co., Ltd.		Unit: NTD
Earnings distribution statement		
2019		
Undistributed earnings at the beginning of the period	\$	4,049,633,743
Plus: Net income in 2019	\$ 2,530,939,999	
Less: Remeasurement of defined benefit plan in 2019	(8,228,445)	
Plus: Transfer from disposal of financial assets at fair value through other comprehensive income to retained earnings	87,630,649	
Current period net profit plus other profit items		2,610,342,203
Undistributed earnings in the current year		
Less: Legal reserve (10%)		(261,034,220)
Less: Special reserve		(647,573,280)
Accumulated distributable earnings at the end of 2019		5,751,368,446
Less: Distributed earnings		
Cash dividends (NT\$2.77606941 per share)		(1,645,110,999)
Undistributed earnings at the end of the period	\$	4,106,257,447
Note 1: Earnings in 2019 are distributed first.		
Note 2: Distribution of dividends is based on 592,604,419 shares issued upon resolution of the Board of Directors on February 15, 2020.		
Note 3: The Board of Directors is authorized to decide the distribution of partial or full dividends in cash in accordance with Article 20 of the Articles of Incorporation.		

Chairperson: Cheng, Wen-Tsung

Managerial officer: Cheng, Wen-Tsung

Chief Accountant: Yang, Hsing-Yu

8. Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share:
Not applicable. There is no stock dividend distribution proposed in this shareholders' meeting.

9. Remuneration to Employees, Directors and Supervisors:

(1) Percentage or scope of remuneration to employees, directors and supervisors provided in Company's Articles of Incorporation:

Article 19 of the Company's Articles of Incorporation

If the Company makes profits (which means profits before tax without deducting the remuneration of employees and directors), more than 1% of such profits shall be distributed to employees and up to 3% to directors and supervisors as their remuneration. If the Company has accumulated losses, the reserve shall be appropriated to offset such losses.

The employee bonuses mentioned in the preceding paragraph shall be distributed by stock or cash to eligible employees, which may include employees of subordinate companies with certain qualifications. The remuneration of directors may only be distributed in cash.

The board of directors shall resolve on the matters mentioned in two preceding paragraphs and report in the General Shareholders' Meeting.

(2) Basis for estimating the amount of compensation for employees, directors and supervisors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The distribution of remuneration to directors and supervisors is subject to the requirements of the law and the Company's dividend policy. The appropriated amount is recognized as operating expenses for the current year. However, if the actual distribution amount resolved by the Board of Directors is different from the estimated amount, it is recognized as profit or loss in the following year.

(3) Distribution of compensation passed by the Board of Directors:

a. Employee and directors' remuneration will be distributed in cash or stocks.

i. Employees compensation in cash: NT\$29,300,000.

ii. Employees compensation in stock: None.

iii. Remuneration to directors: NT\$10,500,000

The aforementioned amount of the proposed distribution is the same as the 2019 estimated expense.

b. Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined: None.

(4) Actual distribution of employee bonus and remuneration of board directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies if any from the amount of employees' bonus and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies:
The Company's estimated employee compensation in 2018 was NT\$31,900,000, and the compensation to directors and supervisors was NT\$12,000,000. There is no difference between the estimated amount and the actual amount distributed.

10. Stock buyback: None.

B. Issuance of corporate bonds

1. Issuance of corporate bonds:

Type of Corporate Bonds	Sixth domestic unsecured convertible corporate bonds	
Issuance date	July 1, 2019	
Par value	NT\$100,000	
Place of issue and trading	Taiwan	
Issue price	Issued by denomination	
Total amount	NT\$1.2 billion	
Interest Rate	Coupon rate of 0%	
Maturity	3 years: Matures on July 1, 2022	
Guarantor agency	None	
Trustee	Trust Department, Taiwan Cooperative Bank	
Underwriting institution	Grand Fortune Securities Co., Ltd. Mega Securities Co., Ltd.	
Certified lawyer	N/A	
CPA	N/A	
Repayment method	Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.	
Outstanding principal	NT\$1,114,700,000 (as of January 31, 2020)	
Terms of redemption or advance repayment	None	
Restriction clauses	None	
Names of credit rating agency, rating date, rating of corporate bonds	N/A	
Other rights attached	Amount converted to common shares as of the date of report	2,268,608
	Issuance and conversion method	For details, please refer to the Company's terms of issuance and conversion of the sixth domestic unsecured convertible corporate bonds.
Issuance and conversion, and potential dilution and impact on existing shareholders' equity from the terms of issuance	For the issuance of convertible corporate bonds of NT\$1.2 billion, with a conversion price of NT\$40 at the time of issue, the maximum number of the Company's common stock convertible is approximately 30,000,000 shares. Based on the 586,643,000 outstanding shares issued by the Company at the time of issue, the maximum dilution of shareholding is approximately 4.87%. For shareholders' equity, the conversion of corporate bonds into the Company's common shares not only reduces liabilities, but also increases shareholders' equity, thereby increasing the net value per share. Thus, it better protects shareholders' equity in the long run.	
Name of the transfer agent	N/A	

2. Information on convertible corporate bonds:

Unit: NT\$

Type of Corporate Bonds		Sixth domestic unsecured convertible corporate bonds	
Year		2019	As of February 17, 2020
Market price of the convertible corporate bonds	Max	117.70	115.45
	Low	104.80	105.65
	Average	109.80	111.62
Conversion price		37.6	
Issuance date and conversion price at issuance		July 1, 2019 40.0	
Fulfilling the conversion obligation		The Company's common shares is the subject of conversion, and the conversion obligation is fulfilled by issuing new shares. The new shares converted are by way of book-entry transfer, without printing the paper certificate.	

3. Information on exchange of corporate bonds: None.
4. Shelf registration relating to issuance of corporate bonds: None.
5. Information on corporate bonds with warrants: None.

C. Issuance of preferred shares:

Date of issue		February 15, 2020 (Note) Private placement of class B preferred shares	February 15, 2020 (Note) Private placement of class C preferred shares
Item			
	Par value	NT\$10	NT\$10
	Issue price	Not yet issued	Not yet issued
	Number of shares	Not yet issued	Not yet issued
	Total amount	Not yet issued	Not yet issued
Rights and Obligations	Distribution of Dividends and Bonuses	Dividends shall be limited to an annual rate of 8% and is not accumulated.	Dividends shall be set at an annual rate of 4% and is accumulated.
	Distribution of remaining assets	Have priority over common share shareholders, and have the same seniority as other preferred share shareholders and second only to creditors. However, the amount is subject to a maximum limit equal to the preferred shares outstanding at issue price.	Have priority over common share shareholders, and have the same seniority as other preferred share shareholders and second only to creditors. However, the amount is subject to a maximum limit equal to the preferred shares outstanding at issue price.
	Exercise of voting right	Has voting right and election right.	Has voting right and election right.
	Other	Regarding the rights and obligations of class B preferred shares and other important issuance requirements, the Company has passed a resolution at the Board meeting on Feb 15 th , 2020 and pending resolution at the 2020 annual Shareholders' meeting.	Regarding the rights and obligations of class C preferred shares and other important issuance requirements, the Company has passed a resolution at the Board meeting on Feb 15 th , 2020 and pending resolution at the 2020 annual Shareholders' meeting.
Outstanding preferred shares	Amount recovered or converted	Not yet issued	Not yet issued
	Amount not yet recovered or converted	Not yet issued	Not yet issued
	Terms for recovery or conversion	1. These preferred shares do not have a maturity date, and shareholders does not have the right to demand that the company recover the preferred shares in his/her possession. However, the Company may recover all or part of the preferred shares at the original actual issue price starting on the day following the fifth anniversary of issue. The rights and obligations associated with preferred shares that are not recovered will continue as provided in the terms of issuance.	1. These preferred shares do not have a maturity date, and shareholders does not have the right to demand that the company recover the preferred shares in his/her possession. However, the Company may recover all or part of the preferred shares at the original actual issue price starting on the day following the fifth anniversary of issue. The rights and obligations associated with preferred shares that are not recovered will continue as provided in the terms of issuance.

			2. These preferred shares may not be converted within three years after the issue date. The Board of Directors is authorized to specify the conversion period in the actual terms of issuance. Shareholders of convertible preferred shares may apply to convert a part or all preferred shares into common shares at the ratio of 1:1 according to the terms of issuance. After convertible preferred shares are converted into common shares, it shall have the same rights and obligations as common shares.	2. These preferred shares may not be converted within three years after the issue date. The Board of Directors is authorized to specify the conversion period in the actual terms of issuance. Shareholders of convertible preferred shares may apply to convert a part or all preferred shares into common shares at the ratio of 1:1 according to the terms of issuance. After convertible preferred shares are converted into common shares, it shall have the same rights and obligations as common shares.
Stock price	As of February 17, 2020	Max	—	—
		Low	—	—
		Average	—	—
Other rights attached	Amount exchanged or subscribed as of the date of report		Not yet issued	Not yet issued
	Issuance and conversion or subscription method		Not yet issued	Not yet issued
Impact of the terms of issuance on preferred share shareholders' equity, possible dilution of equity, and Impact on shareholders' equity			Not yet issued	Not yet issued

Note: The private placement of class B and C preferred shares was approved by the Board of Directors on February 15, 2020. However, it has not yet resolved by the shareholders' meeting.

D. Issuance of global depositary receipts (GDR): None.

E. Issuance of employee stock warrants:

February 17, 2020

Employee stock warrants	Fifth issuance of employee stock warrants
Date of approval by competent authorities	October 29, 2019
Issuance date	Not yet issued
Units granted	Not yet issued
Units granted to total shares issued and outstanding	Not yet issued

Duration	Not yet issued
Exercise	<ol style="list-style-type: none"> 1. The Company delivers new shares via book entry, and first issues shares before registering the change in capital in accordance with the proviso in Article 161, Paragraph 1 of the Company Act. 2. Where the new shares are delivered to employees of overseas subsidiaries, it is delivered to the employee collective investment account opened by the overseas subsidiary at the custodial bank. The account may only sell shares obtained by employees who exercise their subscription right and receive stock dividends, and may not engage in other stock transactions.
Vesting schedule and quota (%)	Not yet issued
Units exercised (shares)	Not yet issued
Amount exercised (NT\$)	Not yet issued
Units unexercised (shares)	Not yet issued
Exercise price for unexercised units	Not yet issued
Units unexercised to total outstanding shares (%)	Not yet issued
Impact on shareholders' equity	The proportion of stock warrants that can be exercised is as following: 50 percent for 2 years after the date of grant, 75 percent for 3 years after the date of grant and 100 percent for 4 years after the date of grant. The impact on shareholders' equity is limited as the warrants dilute year by year.

F. Issuance of new restricted employee shares: None.

G. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

H. Financing plans and implementation:

Capital raising					Implementation of financing plans
Method	Amount	Receipt date:	Purpose	Subjects	
Sixth domestic unsecured convertible corporate bonds	NT\$1.2 billion	June 27, 2019	Repayment of bank loan	100% publicly offered	Bank loan repaid in full on July 10, 2019

V. Business Overview

A. Business Activities

1. Business scope:

(1) Major business activities:

- a. Processing, manufacturing, research and development, trading, and import and export of various electronic components and finished products.
- b. Manufacturing, trading, and import and export of various telephone equipment and components.
- c. General import and export trade business.
- d. Agency of quotations and tenders for domestic and foreign vendors.
- e. I301010 Software Design Services.
- f. F218010 Retail Sale of Computer Software.
- g. F118010 Wholesale of Computer Software.
- h. G801010 Warehousing and Storage.
- i. F113070 Wholesale of Telecom Instruments.
- j. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Percentage of sales revenue:

Unit: NT\$1,000

Product name	2019	Percentage of sales revenue
Analog IC (Including linear IC)	147,114,736	43.89%
Application specific IC	25,690,676	7.66%
Memory IC	22,462,363	6.70%
Microprocessor	15,639,322	4.67%
Discrete component	15,482,514	4.62%
Chipset	14,396,743	4.30%
Logic IC	5,269,396	1.57%
Other	89,131,401	26.59%
Total	335,187,151	100.00%

(3) The Group's current product (service) items:

- a. Semiconductor brands distributed
Ambarella, ASMedia, ADI, Broadcom, Diodes, ESMT, Intel, LG, Lumileds, Magnachip, Marvell, Maxim, Microchip, Micron, MPS, Nanya, NXP, Nuvoton, Renesas, OMNIVISION, ON Semiconductor, PixArt, Osram, Realtek, Richtek, Richwave, Silergy, Silicon Lab, Skyworks, STMicroelectronics, and TI.
- b. Agented semiconductor products
Logic IC, mixed signal IC, Linear IC, ASSP, discrete component, storage IC, Image sensing IC, high-speed interface component, interface and control driver component, analog IC, signal processing and conversion components,

programmable IC, microprocessor, memory, etc.

(4) New products (services) that will be developed:

For the products' future trend, the Company will focus on four research and development objectives, namely (1) motor control; (2) network communication; (3) embedded system and processor; and (4) optoelectronic system design.

2. Industry overview:

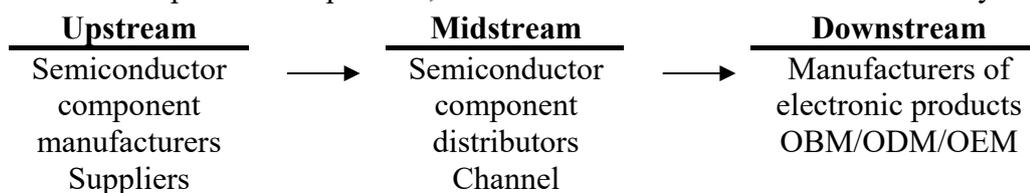
(1) Current industry trends and future outlook:

Following the rapid development of the electronics industry, the scale of the global semiconductor industry has continued to grow. In order to respond to the rapid changes in the market, downstream electronics manufacturers need to continuously develop new products and reduce the product-to-market lead time, in order to seize business opportunities and become a first mover. However, upstream semiconductor integrated device manufacturers (IDM) and Fabless are more focused on improving processes and developing new products in order to save production costs and respond to rapidly-changing end markets, so they are unable to provide downstream manufacturers with comprehensive information and technical support.

In order for the semiconductor supply chain to operate effectively, semiconductor distributors are beginning to take responsibility to provide manufacturers with logistics, technical support and related product information. Upstream suppliers have moved sales and support services to semiconductor distributors, and semiconductor distributors provide downstream customers with market information and product application technical support to help shorten the time-to-market. At the same time, as downstream customers expand their production bases, semiconductor distributors also need to deploy more operating bases and warehouse facilities overseas to effectively provide services, such as customer logistics and technical support, and strive to expand the distribution territory of vendors' products to enhance international competitiveness.

Faced with the challenges of rapid industrial changes and competition in the industry, the key to the success of a semiconductor distributor is its professional service quality and speed. As the development of the semiconductor industry becomes growingly faster, the life cycle of electronic components become shorter. In addition to expanding market and serving customers, semiconductor distributors also need to play the role of sharing inventory costs and reducing payment collection pressure. For vendors, having semiconductor distributors support customers in the development of new products enables them to focus on the development of new technologies and new products, and enhance their international competitiveness. Therefore, more and more vendors have developed more market opportunities through close cooperation and effective division of labor with semiconductor distributors.

(2) The relationship between upstream, midstream and downstream in the industry:



In the semiconductor distribution supply chain, upstream companies are semiconductor integrated device manufacturers (IDM) and fables, downstream companies are electronics manufacturers. Semiconductor distributors are defined as the bridge between the upstream and downstream, providing professional supply chain management for both.

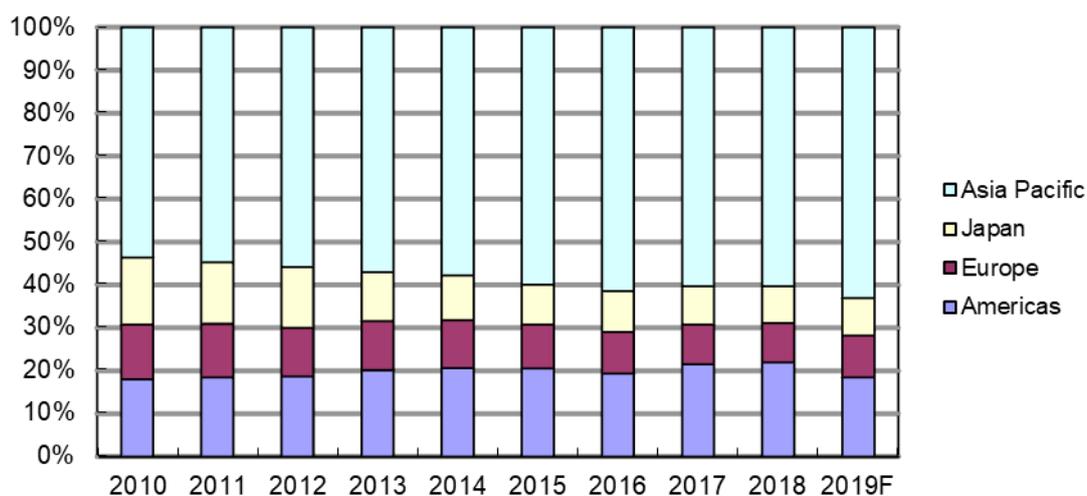
With the accelerated changes in the electronics industry, the shortened product life cycle, and the narrowing of product differentiation, upstream vendors are increasingly focused on new product development and process improvement in order to increase competitiveness, and continue to transfer their original business marketing operations, which provides product information and technical support services to customers, to semiconductor distributors. Similarly, in order to take business opportunities and shorten time to market, downstream electronics manufacturers focus on the development of new applications, and rely more on the supply chain logistics services provided by semiconductor distributors to shorten supply schedule of components and reduce inventory, while enjoying more flexible payment terms.

In recent years, as the role of semiconductor distributors in the semiconductor supply chain has been transformed from pure buy-and-sell to professional value-added service providers, services now encompass business marketing, logistics/inventory management, technical support, financial leverage, etc. Therefore, the industrial value of semiconductor distributors has increased with each passing day, regarded by vendors and customers as strategic business partners.

(3) Current status of the global semiconductor market:

Asia, especially China, has become the world's major production base since 2000 due to the competitive advantage it enjoys from its low cost. According to statistics of the World Semiconductor Trade Statistics (WSTS), it is clear that the global semiconductor market is continuing its move to Asia. According to estimates in the November 2019 report of the WSTS, the semiconductor market scale reached US\$258 billion in 2019, accounting for 63% of the global market. If combined with the Japanese market of US\$35.5 billion, Asia's semiconductor market accounts for nearly 70% of the global semiconductor market. Asia has become the fastest growing market for the global semiconductor distribution industry.

Semiconductor market share by region



Source: World Semiconductor Trade Statistics (WSTS)

Global semiconductor industry sales from 2015 to 2019

Unit: 100 million USD

Region	2015		2016		2017		2018		2019F	
Americas	687	21%	655	19%	885	21%	1,030	22%	755	18%
Europe	343	10%	327	10%	383	9%	430	9%	400	10%
Japan	311	9%	323	10%	366	9%	400	9%	355	9%
Asia-Pacific	2,011	60%	2,084	61%	2,488	60%	2,829	60%	2,580	63%
Global Market	3,352	100%	3,389	100%	4,122	100%	4,688	100%	4,090	100%

Source: World Semiconductor Trade Statistics (WSTS)

(4) Product trends and competition

Breaking down product lines agented by the Group by field of application, computers and peripherals account for 21.1%, communication & network products account for 48.3%, consumer electronics account for 14.1%, industrial control applications account for 8.5%, and automotive electronics account for 5.2%.

a. Computers and peripherals

A report from Gartner pointed out that global personal computer shipments was approximately 261 million in 2019, up about 0.6% from 2018. This is the first growth after a steady decline in global personal computer shipments for seven consecutive years since 2012, which mainly benefited from the strong market demand on upgrade to Windows 10, especially in the US, EMEA, and Japan. Despite the continued sluggish demand on consumer PCs, commercial PCs grew at single digit percentages in five of the past seven quarters, forming a stark contrast. Intel CPU shortages starting in 2019 became the main issue for suppliers delivering PCs to corporate customers. Without the CPU shortage, global PC shipments will be even better than current results.

Looking towards the future, Gartner believes that even though the PC market returned to growth in 2019, the market is expected to continue to decline in 2020. Global PC shipments in 2020 are estimated at 250.8 million, down about 4% compared to 2019. This is mainly due to the end of Windows 10 upgrades in 2020. The commercial PC market will see opportunities for update to the next generation in 2020. China's government implemented a plan for domestically manufactured PCs that are safe and reliable. The plan was put on hold in 2019, but should pick up the pace in 2020. Furthermore, Microsoft terminated its support for Windows 7 starting on January 14, 2020. SMEs in emerging regions will subsequently upgrade their operating systems, generating the long tail effect. Gartner predicts that 1 billion PCs will use Windows 10 in 2020, accounting for 80% of all PCs.

b. Communications equipment

In recent years, the growth of the communication equipment industry has slowed down, mainly due to the reduction in related expenses of communication equipment of various operators. Global deployment of LTE/4G is basically complete, and the large-scale promotion of 5G network deployment has not yet fully started. However, the communication equipment industry has already ushered in a turning point in 2019. The research institute IHS estimates that the compound annual growth rate of the market will reach 3-4% in 2017-2021, and the growth momentum is mainly from next generation 5G communication technology. According to the Topology Research Institute's report, global telecom expenditures reached US\$2.36 trillion in 2019 with an annual growth rate of 3.4%. With the gradual commercialization of 5G, investment in this field will increase in 2019. Among them, fiber-based fixed broadband and backbone networks are the main expenditure items, and capital expenditures of

China's three major telecom operators, South Korea's KT & SK Telecom, Japan's NTTDoCoMo, etc., will grow slightly. In the case of China, according to data of the Intelligence Research Group, China's three major telecom operators established about 100,000 5G base stations in 2019. Gartner also believes that the deployment of 5G network will accelerate in 2020, and global income from 5G network equipment will reach US\$4.2 billion, up 89% compared to the US\$2.2 billion in 2019. Many countries will begin to offer 5G services between 2019 and 2020. At present, the US, China, South Korea, and some European countries such as Switzerland, Finland, and the UK have all begun to provide this service. Telecom operators in Canada, France, Germany, Spain, Sweden, Qatar, and United Arab Emirates have all announced plans to accelerate the deployment of 5G network in 2020.

c. Mobile Phones

The global mobile phone market has experienced significant growth in the past 10 years since 2000, but since 2014, the mobile phone market has become increasingly saturated with the sharp increase in penetration of smart phones and the elimination of subsidies by operators. According to Gartner's statistics, global mobile phone shipments totaled 1.75 billion units in 2019, down about 4% from 2018. Among them, smart phones accounted for 1.53 billion units, down 2% from 2018. The decline was less than the overall mobile phone market, and the ratio of total sales increased to 87%.

Gartner believes that the market will slightly recover in 2020. The increased supply of 5G mobile phones will drive the replacement of mobile phones to the next generation, and the global mobile phone market is expected to grow 1.7% in 2020, driven by the 3% increase in smart phone shipments, especially in Greater China and emerging markets in the Asia Pacific.

Gartner expects the prevalence of 5G mobile phones to begin growing in 2020 as prices decline, the coverage of 5G services increases, and the user experience is improved for 5G mobile phones. Shipments of 5G mobile phones are expected to account for 12% of all shipments in 2020, and will account for about 50% of all mobile phone shipments in 2023.

d. Cloud data center

Driven by the demand of AI, 5G, and autonomous driving, the number of hyper-scale data centers will continue to grow worldwide.. According to Cisco's Global Cloud Index, the number of hyper-scale data centers worldwide have exceeded 300 in 2016, and there will be 509 centers in 2019. The number is expected to reach 628 in 2021. In 2016-2021, the compound annual growth rate of global data center IP traffic will reach 25%, which will drive the growth of related semiconductor demand.

e. Industrial control

In the field of industrial control, the security monitoring market is in full swing. With the global increase of security awareness, coupled with the trend of

digitalization, high image quality and networking, it will become the driving force for the continued development of the security monitoring industry.

In the future, the business opportunities of the fourth wave of industrial revolution, "Industry 4.0," are highly anticipated. The basic system design architecture of "Industry 4.0" mainly integrates a large number of sensors, actuators, automatic control systems, mesh networks and multi-network architectures. With the smart production structure of the systematic design, the data from production equipment and sensing endpoint is returned to the cloud for integration, and big data is analyzed to optimize the production process and detect production problems, in order to coordinate stocking, inventory, shipping and sales to achieve the lowest cost, thus maximizing profitability. Due to the trend of "Industry 4.0," it is expected that future smart production demand will continue to optimize microcontroller and sensor design, and inject new growth momentum into the semiconductor component market with promising prospects.

According to a report from BofA Merrill Lynch, the industrial semiconductor output value will grow at a compound growth rate of at least 5% per annum from 2017 to 2020. Among which, digitalization and electronic technology is gradually replacing the traditional model in the fields of industrial automation, testing/measurement, security monitoring, energy management, etc., providing momentum for the long-term development of industrial electronics.

f. Automotive electronics

In recent years, under the comprehensive consideration of driving safety and humanization, the Advanced Driver Assistance System (ADAS) has gradually become a new manifestation, attracting international automakers to compete for automotive electronization. They work with semiconductor companies to integrate automotive and electronic control technologies to launch Internet of Vehicle solutions. In addition, under the requirements of government policies in various countries, applications such as anti-lock braking system (ABS), tire-pressure monitoring system (TPMS), electronic brake assist (EBS), lane departure warning system (LDWS), etc., have become standard equipment. Various sensors, microprocessors and control technologies have also driven the automotive semiconductor market to flourish.

In the future, automotive electronization will continue, and the semiconductor content rate on each vehicle will continue to increase. According to Gartner's report, the revenues of automotive semiconductors in 2019 exceeded US\$41.8 billion, and will reach US\$46.6 billion and US\$58.7 billion in 2020 and 2022, respectively. Growth momentum mainly comes from advanced driver assistance systems (ADAS), in-vehicle infotainment, (IVI) and electric vehicles (EV). Among them, advanced driver assistance system (ADAS) will have a compound annual growth rate of 20% in the next 5 years. EV will also be an important driving force for future automotive

semiconductors. By 2020, the penetration rate of EV will increase from 1.5% in 2017 to 5%, and by 2025 it will reach 25-30%. In addition, according to Gartner's report, the value of semiconductor equipped in each vehicle will grow at a compound annual growth rate of about 5%. It can be seen that even without considering the growth of vehicle shipments, the potential of the automotive semiconductor market is still huge.

3. Overview of Technology and R&D:

(1) Future research and development plan

The Group is mainly a professional channel operator of electronic components. For the products' future trend, the Company will focus on the four research and development objectives, namely (1) motor control;(2) network communication;(3) embedded system and processor; and (4) optoelectronic system design. At present, some relevant products have been successfully developed, further enabling customers to shorten the R&D design schedule, quickly solve and clarify problems, and assist customers in solving design and production problems.

(2) R&D personnel and their education and work experience

The main work of the R&D personnel is to formulate various project plans according to the market development trend, systematically carry out product development work, and further complete testing and verification to establish technological advantages. The Group attaches great importance to the quality and professional education of R&D personnel. All R&D personnel have college education or above, and most of them have worked in research and development and are familiar with the process of customers' R&D, so that product development work and specifications can meet customer needs.

(3) R&D expenses in the most recent year and as of the date of this annual report

Unit: NT\$1,000

Item	IFRSs consolidated information for 2019	IFRSs consolidated information as of January 31, 2020
Net operating revenue	335,187,151	24,737,890
R&D expenses	407,103	11,827
R&D expenses as a percentage of revenue	0.12%	0.05%

(4) Successfully developed technologies and products

Product Name	Field of Application
Full HD WDR Dual Channel Car Black Box	Automotive
Full HD WDR IP Camera	Surveillance
HD Pico Projectors	Consumer/Industrial
Sensorless BLDC Motor with Six Step Square Wave / quasi-sinusoidal control	Industrial/Automotive

Product Name	Field of Application
Sensorless BLDC Motor with vector control	Industrial/Automotive
Smart coffee machine	Consumer
Electric bicycle motor control	Industrial/Automotive
Tire-pressure monitoring system	Automotive
Digital power supply	Server power supply
Smart energy-saving power grid management system	Home Automation
WiFi mobile cloud storage system	Consumer
Electronic faucet	Home Automation
Wireless charging (including transmission (TX) and reception (RX))	Mobile device (peripherals)
Infrared remote control for smart phones and tablets	Mobile device
Smart bracelet	Consumption market
Power bank	Consumption market
SOM (System on module)	Applications of embedded system in industrial computer
E-meter (Power meter)	Server power measurement
Smart Bulb	Home Automation (HA)/ IoT
Home Gateway	Home Automation (HA)/ IoT
Sensor hub for smartphones and tablets	Mobile device
Pedometer	Wearable device consumer market
Smart ECG module reference design	Mobile device
Digital power reference design for servers	Server power supply
Secondary optical lens in LED TV backlight reference design	LED TV
Personal wireless transmission sensing device and Bluetooth 5.0 broadcast reference design	Mobile device
Optical reference design for night vision illumination and time-of-flight ranging	Industrial security
High power isolated Ethernet power supply reference design	Network communication

4. Long-term and Short-term Business Development Plans

(1) Short-term Business Development Plans

a. Marketing strategies

- (a) Expansion of agented communications, networking, imaging, computer and peripheral, automotive electronics, industrial control, Internet of Things and medical electronics product lines:

The Group's communications, networking, imaging, computers, and high-performance power application components product lines all have a considerable sales base. In addition to continuing to develop and grow in the area of traditional 3C products, the Company will continue to optimize its product portfolio,

introduce new product lines that meet market demand and have high gross profit margins, strengthen product and market planning capabilities, and improve the overall market layout, such as in markets of automotive electronics, cloud data center, smart Internet of Things, 5G related applications, industrial control, green energy, medical equipment, etc. The Company will actively introduce competitive agented product lines, and strive to provide diverse and complete products, so as to provide the benefits of the completed channels and professional services to customers.

- (b) Actively developing new customers and improving customer layout in the Asia Pacific region:

In addition to continuing to support the existing customers' layout in the Asia Pacific region, the Company will also actively explore new customers, reduce customer concentration, strengthen sales power to the mainland China and South Korean and South Asian customers, provide better product solutions for customers, to solve the needs of some companies lacking R&D resources, and even obtain patent rights and form closer cooperation with customers. The Company will continue to expand business location in third- and fourth-tier cities in China to actively expand the sales network of inland cities and further improve the overall layout in Asia-Pacific.

- (c) Expanding market influence:

The Company will continue to increase investment and sales growth in China, expecting to maintain a growth rate that exceeds the market average. Key strategic markets include smart Internet of Things, cloud data center, variable-frequency appliances, security monitoring, automation equipment and automotive electronics. The Company will enhance the performance of major customers and the penetration of small and medium-sized customers.

- (d) Strengthening technology-oriented marketing strategies:

The short and diversified life cycle of electronic products has made the supply of components from upstream suppliers more difficult. Therefore, the Group is committed to applying engineering technology based on the professional expertise and technical capabilities accumulated through the long-term service to customers, and provides technical support solutions through professional division of labor. In the future, the Company will continue to strengthen the FAE and Design-in services, provide the best product portfolio and design according to the needs of downstream customers, and create higher product added value, becoming the communication bridge between upstream manufacturers and downstream customers.

- (e) Improving long-term talent reserve:

In line with the Group's long-term development strategy, it plans to recruit new top graduates, reserve talents in advance, and optimize the Group's personnel

mix in terms of level, quantity and structure so that the Group will have a more overall advantage in the future competition.

(f) Strengthening service quality and improving customer satisfaction:

The Company will strengthen the sales ability and service quality of business personnel, improve the support ability of logistics personnel, establish a timely and efficient service system, and establish a high-quality customer service awareness of all employees, in order to enhance existing customers' satisfaction and develop potential customers in the future.

b. Product strategies

(a) Increase technical value:

Products are heading towards the era of low profit, but the market is still fond of the new and tired of the old. It is important to develop new products quickly. Therefore, meeting the electronic products' trend of hi-mix low volume production is the key. If the Company provides customers with a large number of functional improved requirements through the provision of turnkey solution, it will inevitably reduce the investment and deployment of system manufacturers' R&D manpower, and create solid added value for distributors.

(b) Integration of upstream and downstream products:

Based on a deep partnership with customers, the Company will extend the agent distribution of new key components upstream and downstream to achieve the goal of providing complete technical services.

(c) Application development and agent distribution for power management products:

As mobile devices become more powerful, the demand for power supply is becoming more and more strict. How to strengthen power management efficiency, reduce power consumption, and increase battery life has become a consistent research and development direction for all product manufacturers. The Group's agented product lines are diversified, and most of them are high-performance products that meet the technical requirements. In the future, the Company will continue to expand the agent distribution layout of power management and lead the trend in designing terminal product applications.

c. Financial strategies

As the Company is a semiconductor distributor, it has high demand on working capital. In addition to continuing to strengthen financial planning and maintain good relations with banks based on the principle of conservative financial stability, the Company will increase its working capital through capital raising plans at an appropriate time, in response to the funding needs of increasing operation scale.

(2) Longt-term Business Development Plans

a. Developing complete and diversified agented product lines and authorized distribution regions

In line with market trends and customer needs, the Company will continue to plan

and introduce new agented products, enrich product categories, and provide key components needed for domestic and international electronics industries in response to relevant application fields. The Group will strive for good prices, good specifications, complete product lines, and meet all of customers' needs in one stop. The Group also will use its existing experience to actively establish a pan-Asia Pacific and China service network to serve customers nearby.

b. Professional channel marketing strategy

The Company will continue to strengthen the software and hardware development and the deployment of professional marketing personnel, in order to achieve real-time information exchange with upstream suppliers and downstream customers, and to expand marketing channels and expand the added value of agent distribution products with solid professional technology.

c. Building long-term customer relationships and supplier relationships for collaborative development

The Company, as a distributor, plays an important role in providing consultation to suppliers and service to customers, providing the most complete information and after-sales service for suppliers and customers.

d. Actively cultivating talents

The Company focuses on the training of internal talents, explores high-potential talents, provides different responsibilities with the business development and growth of the Group, and customizes their development plans in accordance with their aptitude, in order to cultivate the mid- and high-level managerial talents needed for the Group's sustainable operation.

e. Robust financial strategy

The Group's financial strategy is to expand its capital in a timely manner, taking into account the interests of shareholders and the Group's fund requirements for future development. In the future, depending on working capital needs, the Company will use the capital market to obtain lower-cost funds in order to enrich the funds needed for the operation.

B. Market, production and sales overview

1. Market analysis:

(1) Sales regions of main products

Unit: NT\$1,000

Sales region		2018		2019	
		Sales amount	%	Sales amount	%
Exports	Asia Pacific	220,975,979	80.82	271,074,574	80.88
	Other	8,814,490	3.22	10,340,204	3.08
Subtotal		229,790,469	84.04	281,414,778	83.96
Domestic sales		43,626,016	15.96	53,772,373	16.04
Total		273,416,485	100.00	335,187,151	100.00

(2) Market shares

According to Market Share Analysis: Semiconductor Distributors, Worldwide issued by Gartner in 2019, the Group ranked second among semiconductor distributors in the Asia-Pacific region, and had a 8.6% and 6.6% share of the Asia-Pacific semiconductor distribution market in 2018 and 2017, respectively. The top ten semiconductor distributors in the Asia Pacific had a combined 51.3% and 48.7% market share in 2018 and 2017, and the Group's market share among the top 10 semiconductor distributors was 16.8% and 13.6%, respectively. Due to the industry's characteristics, the premise for entering the semiconductor distribution market is "obtaining agency for manufacturers in each region." Among the top ten semiconductor distributors in the Asia Pacific, four are agents for major semiconductor manufacturers and have complete product lines, i.e., the top four distributors, namely WPG Holdings, the Group, Arrow, and Avnet. Remaining distributors are not in the same market as the four distributors above due to different business models (e.g., online sales and B2C) or entirely different agented product lines (e.g., memory and diodes). For even smaller scale semiconductor distributors, it is even harder to gain agency for most international semiconductor manufacturers and compete with the four distributors above. Hence, in reality, there are only the four distributors above competing in the industry. The Group accounted for a 24.2% and 19.1% share of the market amount the top four distributors in 2018 and 2017, respectively.

According to the December 2019 report issued by Gartner, semiconductor revenue in the Asia Pacific is approximately US\$296 billion in 2019. Estimating based on historical data for the most recent five years and the growth rates of the top four distributors in 2019, the Group's market share among semiconductor distributors in the Asia Pacific will increase to about 11% in 2019, accounting for 23% of the combined market share of the top 10 distributors, and for about 28% of the combined market share of the top four distributors.

(3) The future supply and demand situation and growth of the market

a. Supply side

The era of electronization and digitalization is increasingly relying on a variety of semiconductor components, motivating many semiconductor suppliers to continue to increase investment in more advanced semiconductor equipment, technology and processes to meet market demand. According the latest forecasts released by Semiconductor Equipment and Materials International (SEMI) in December 2019, the global sales amount of semiconductor equipment will reach US\$57.6 billion in 2019, down 10.5% from the record high of US\$64.4 billion in 2018, but is expected to gradually recover in 2020 and reach a new record high in 2021. Global semiconductor equipment sales is expected to grow 5.5% to US\$60.8 billion in 2020. This growth trend is expected to extend into 2021 and set a record high of US\$66.8 billion. From a

long-term perspective, global demand on semiconductor equipment will continue to increase, and is expected to drive supply-end growth in the semiconductor and electronic components market. Hence, future supply in the market is expected to have a positive effect on the semiconductor distribution industry.

b. Demand side

Due to the extensive coverage of the Group's agented product lines, its revenue and profitability is related to economic development in the year to a certain extent. According to the latest World Economic Outlook released by the International Monetary Fund (IMF) in January 2020, the IMF's estimate of the global economic growth rate for 2020 is 3.3%, up 0.4% compared with 2019. Developed markets will grow 1.6% and emerging and developing markets will growth 4.4%. Economic growth rate estimates for individual countries in 2020 are as follows: US 2.0%, China 6.0%, India 5.8%, Japan 0.7%, Germany 1.1%, and EU 1.3%. The IMF originally believed that the global economy has already bottomed out and is showing some signs of recovery, but the outbreak of COVID-19 has already interfered with China's and global economic activity. The IMF warned on February 23, 2020 that if the outbreak is effectively controlled, China's economy will return to normal in the second quarter, and there will be less of an impact on the global economy. In this scenario, global economic growth will be revised lower by 0.1% to 3.2% in 2020, while China's economic growth will be revised lower by 0.4% to 5.6%. If the outbreak becomes even more severe, i.e., the virus continues to spread for a longer period of time and affects a wider part of the world, it will have an even more severe impact on economic growth. This is a potential risk to the global semiconductor market.

c. Growth

In terms of product applications, due the gradual adoption of 5G technology, markets such as automotive electronics, smart Internet of Things, industrial control, and cloud applications will be the main growth drivers for the semiconductor industry and the Group. Taking automotive electronics as an example, technological developments have led to the intelligent upgrade of cars as in mobile phones, which will enable more semiconductor components to be adopted in cars, thereby improving vehicle safety and driving efficiency. The Group has been dedicated its efforts to the development of automotive electronics for many years. With the long-term increases in automobile sales and the semiconductor content of each vehicle, the Group's products and services in fields such as automotive lighting, body control, vehicle information, and safety systems have gradually gained recognition from vendors and customers. In terms of Internet of Things, the market demand has become increasingly apparent, and the Internet of Things combined with artificial intelligence will cause demand to show explosive growth, such as smart speakers, smart wireless headsets, smart home applications, etc. The compound annual growth rate of hardware revenue related to the Internet of Things will exceed 30% in 2018-2022. The Group will focus

on industrial automation, smart transportation, consumer electronics, smart meters, smart retail and other fields. Overall, applications such as automotive electronics, smart Internet of Things, industrial control, and cloud will continue to flourish and are expected to drive business opportunities in the semiconductor market. The Group views these areas as a strategic development market, which is expected to benefit greatly in the future.

In terms of regions, emerging markets represented by China will remain one of the Group's long-term growth drivers. According to economic growth rate forecasts for 2020 and 2021 announced by the International Monetary Fund (IMF) in January 2020, economic growth rates of "Emerging Markets and Developing Economies," which the Group is currently focused on, in the next two years will be 4.4% and 4.6%, respectively. However, COVID-19 creates the risk that regional and global economic growth forecasts will be revised lower for 2020. From a long-term perspective, China has an increasing per capita income, low penetration rate of electronic products, promotion of urbanization, and government policy support, which will cause future market demand in China to continue to grow.

In addition, the Group's end products have a wide scope of application, and include personal computers, communication network products, consumer electronics, industrial control and automotive electronics. In addition to the evolution of "efficient energy saving," "high-specification structure," and "Internet of Thing" for traditional 3C products, driven by highlights such as "Industry 4.0," "high speed network," "security monitoring," and "humanized driving," as well as a new generation of consumer audio and video entertainment, a variety of innovative key components will lead the semiconductor industry to new heights. Digital power components, MEMS components, high-performance microprocessors, image sensors, console processing chips, mobile phone chipsets, high-precision analog components, special components, and various customized complete solutions will generate great business opportunities in the semiconductor distribution industry.

(4) Competitive niche, favorable and adverse factors for long-term growth and response strategy

a. Competitive niche

(a) Complete and diversified agented product lines

The Group has established stable cooperative relationships with internationally renowned manufacturers such as Broadcom, Marvell, NXP, ON Semiconductor, Skyworks, and STMicroelectronics, and has repeatedly received the excellent agent awards from suppliers. It is clear that the Group's marketing and business capabilities have been recognized by vendors and suppliers. Together with the Group's keen market insight and ability to actively and correctly seek new agented product lines, the Group's product portfolio is complete and

diversified, which is of great help to consolidate the protection of existing product lines and the development of new product lines.

(b) Strong management team

The Group's management team is mainly consists of professionals in the electronic information industry, with experienced marketing talents and skilled application engineers. The main executive officers have more than 10 years of experience in the semiconductor distribution industry. With their agent distribution business accumulated over the years and sensitivity to market development trends, they can contribute to the Group's business development and vision planning.

(c) Professional technical support capability

The Group is convinced that in addition to its complete and diversified products, it has the professional technical support capability to conduct all-round services such as product development, design, product integration and customer problem solving at any time, so as to gain customers' trust and meet customers' design-in module. It is the only way to stably maintain customer relationships. This technical marketing-oriented technical support capability is the niche of the Group's competitiveness, and the Group is moving towards its goal of becoming a "value-added professional service channel operator."

(d) Dense marketing channel network

In response to the trend of electronic globalization and internationalization, the Group actively deploys overseas locations to serve customers nearby, develop new products, and grasp real-time market information. The Company has completed marketing channel networks in Hong Kong, China, Singapore, South Korea, Malaysia, Vietnam, Thailand, and India, and it hopes to achieve the Group's goal that the Group shall be wherever customers are.

b. Favorable factors

(a) The IT and electronics industries will continue to drive an increase in demand on semiconductors.

The market demand for semiconductors is due to the continuous development of electronization and digitalization of new products, coupled with the continuous evolution of existing electronic products, resulting in increasing demand for semiconductors.

(b) Ever important role of distributors

Under the consideration that global electronics manufacturers reduce marketing costs and increase technical support for engineering applications, the role of the distributors in the supply chain of the electronics industry will become increasingly important. For upstream suppliers, distributors provide the functions of marketing expansion, product integration and customer service. For

downstream customers, the distributors provide the functions of keeping sufficient supply, technical support, etc. At present, direct sales from semiconductor manufacturers to customers (the Direct Account) account for more than 60% of their revenues, and only about 30-40% of sales are through distributors. There is still a lot of room for semiconductor manufacturers to release Direct Account. The Group's efforts and capabilities have long been recognized by customers and suppliers. Following the rapid growth brought by the smart Internet of Things, the large number of potential customers, and accelerated transfer of production bases and supply chains in recent years, the trend of distribution through distributors will become even more significant in the future.

(c) Complete and diversified agented products

The Group's agented products cover all fields of electronics, such as information, optoelectronics, telecommunications, consumer electronics, industrial supplies, automotive electronics, cloud applications, green energy, and medical care. In addition, the Group also has a separation of product markets to avoid excessive concentration of purchases. It is not only for the convenience of customers to make purchases, but can also reduce customers' inventory risks and save procurement time and costs.

(d) Excellent management team

The Group's front-line marketing staff have years of experience in distribution and marketing, and the Group is proud of its professional R&D talents for logistics support technology management. Externally they can promote the existing products, acquire new agented product lines, and solve customer needs, and internally they can continuously improve the Group's financial position and business condition, which will allow the Group to take the lead in the industry.

c. Unfavorable factors and response measures

(a) Fierce product competition and declined gross profit

Response measures:

- Adding agented component lines for special applications that are irreplaceable and have high gross profit will reduce the Group's risk under price competition and highlight its own market advantage.
- For the general-purpose bulk components, adopting quantity purchase pricing to provide customers with more competitive prices while retaining reasonable profits.
- Increasing the proportion of non-3C products with higher gross profit margins such as smart Internet of Things, cloud applications, industrial control, automotive electronics, medical electronics, etc., to change the product portfolio and gradually increase the Group's overall gross profit margin.
- Providing more value-added services. In addition to providing traditional channel services, striving to provide more value-added services, such as

providing more technical application design services to help customers to complete the design faster, in order to seize market opportunities and ensure high profit and market share.

(b) Strategy adjustments made by suppliers and short product life cycle

Response measures:

- The Company will integrate and adjust resources in response to strategy adjustments made by suppliers, e.g., TI intends to cancel its distributors and switch to a directly supply model, in order to accelerate the growth of other suppliers and add competitive new suppliers and products to maximize the Company's benefits.
- Strengthen product market development, set the Group's new directions and opportunities for new product and market trends, introduce new agented products, and develop new markets and customers in a timely manner to seize business opportunities.
- Maintaining good interactions with upstream and downstream customers, increase the value added of products, and strengthen the product's life cycle, by integrating the characteristics of its products and developing components that meet customer needs through the strong R&D capabilities of the management team.
- Regularly hold business meetings to determine sales plans and correct sales forecasts based on the conditions of sales, orders, inventory, etc., in order to achieve accurate sales forecasts.
- Pursue product completeness and diversification to avoid market risks of a single product.
- The Company will carry out the digital transformation of the management system, in order to improve operating performance and supply chain management to respond to the rapidly changing demand.

(c) Exchange rate risk

The Group's parts and components are mainly sold in Asia. The Group's subsidiaries are located in Asian countries and face exchange rate risks in multiple currencies. However, the main transaction currency of the Group's purchases and sales is USD, and the exchange rate risk is mainly from the US dollar.

Response measures:

- Using the US dollar as the sales and purchase price and also the AR collection and AP payment currency. By using the same currency in sales and purchase, the resulted foreign currency assets and liabilities can offset against each other to achieve natural hedging results.
- Adopting the unified exchange rate evaluation mode. The Finance Department uniformly publishes the Group's exchange rate accounting basis every day for the business and procurement related departments to keep up with the latest

exchange rates and obtain better exchange rate quotes for orders.

- The Finance Department observes the market exchange rate dynamics and prices, based on the exposure position of the Group's foreign currency assets and liabilities and its foreign exchange costs on the book, and adjusts the foreign exchange exposure position and resulting exchange profit and loss through derivative trading when necessary.

2. Key applications and production processes of main products:

(1) Key applications of main products:

Main product	Purpose
Microcontroller IC	Industrial control, notebook computers, tablets, network infrastructure, mobile phones, automotive electronics, and home appliances
Logic IC	Notebook computers, servers, mobile phones, network infrastructure, and industrial control
Application Specific Standard Parts IC (ASSP)	Network infrastructure, mobile phones, industrial control, consumer electronics/toys, LCD TVs, notebook computers, and automotive electronics
Application Specific Integrated Circuit (ASIC)	Mobile phones, automotive electronics, industrial controls, notebook computers, and personal computers and peripherals
Analog IC	Notebook computers, personal computers and peripherals, mobile phones, network infrastructure, and industrial control
Discrete componet	Notebook computers, tablets, mobile phones, network infrastructure, industrial control, and consumer electronics/toys
Memory IC	Mobile phones, industrial control, servers, notebook computers, and LCD TVs
Non-optical sensor component	Mobile phones, network infrastructure, notebook computers, consumer electronics/toys, and industrial control
Optical component	Consumer electronics/toys, LCD TVs, industrial control, personal computers and peripherals, and automotive electronics
Other	Industrial control, home appliances, network infrastructure, automotive electronics, and notebook computers

(2) Production processes of main products: Not applicable.(non-manufacturing industry).

3. State of supply of main raw materials: Not applicable.(non-manufacturing industry).

4. Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

(1) Suppliers that accounted for more than 10% of the total purchase in any of the past two years

Major suppliers' information for the last two years

Unit: NT\$1,000; %

Item	2018				2019			
	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer
1	AH	73,680,549	26.64	None	AH	115,073,853	35.70	None
2	A	55,447,256	20.05	None	A	57,869,422	17.95	None
3	B	29,277,784	10.59	None	B	31,388,210	9.74	None
	Other	118,178,659	42.72	—	Other	118,013,032	36.61	—
	Net purchase	276,584,248	100.00	—	Net purchase	322,344,517	100.00	—

Reasons for changes: The Group has maintained a good relationship with major suppliers, so its inventory sources are stable. We currently act as agent for end products including but not limited to industrial control, automotive electronics, smart phones, Netcom devices, home appliances and personal computers. Due to the increase in agency in 2019, revenue grew 22.59%, leading to an increase in purchases from suppliers in 2019 compared to 2018.

Note: List the names and procurement amounts and percentages of suppliers whose procurement accounted for more than 10% of the total procurement in the last two years. However, if the name of the supplier may not be disclosed due to the contractual agreement, or the counterparty of the transaction is an individual and a non-related party, it may be listed by using a code.

(2) Customers that accounted for more than 10% of the total sales in any of the last two years

Major customers' information for the last two years

Unit: NT\$1,000; %

Item	2018				2019			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	A	30,098,836	11.01	None	A	44,784,697	13.36	None
2	Other	243,317,649	88.99	—	Other	290,402,454	86.64	—
	Net sales	273,416,485	100.00	—	Net sales	335,187,151	100.00	—

Reasons for changes: The increased demand on the Company's agented products was mainly due to the growth in end demand.

Note: List the names and sales amounts and percentages of customers that accounted for more than 10% of the total sales in the last two years. However, if the name of the customer may not be disclosed due to the contractual agreement, or the counterparty of the transaction is an individual and a non-related party, it may be listed by using a code.

5. Output volume and value during the most recent two years Not applicable.(non-manufacturing industry).

6. Sales volume and value during most recent two years

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

Sales volume and value Main Products	Year	2018				2019			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Discrete component		2,006,648	2,759,130	7,372,560	13,182,933	2,161,766	2,383,627	6,714,634	13,098,887
Application specific IC		26,817	2,632,910	1,068,406	19,630,236	32,904	2,937,735	298,809	22,752,941
Memory IC		187,077	3,022,255	1,403,838	19,218,789	205,652	3,266,374	1,284,457	19,195,989
Chipset		86,215	3,335,101	395,570	11,314,732	59,647	3,366,053	363,814	11,030,690
Microprocessor		42,499	1,979,412	25,631,746	9,613,322	9,904	3,166,696	90,250	12,472,626
Analog IC (including linear IC)		1,312,928	17,329,640	7,375,996	98,684,527	1,599,292	26,141,647	7,731,127	120,973,089
Logic IC		97,103	871,310	781,164	2,620,016	221,654	1,408,286	923,023	3,861,110
Other		1,023,075	11,696,258	3,598,169	55,525,914	743,070	11,101,955	3,673,890	78,029,446
Total		4,782,362	43,626,016	47,627,449	229,790,469	5,033,889	53,772,373	21,080,004	281,414,778

C. Employees

The following table summarizes the company's workforce as of the printing date of the annual report:

Year		2018	2019	As of February 17, 2020
Number of employees	Sales and Marketing	1,680	1,670	1,637
	Administration	212	223	220
	R&D	507	502	489
	Total	2,399	2,395	2,346
Average age		37.0	37.6	37.8
Average years of service		5.4	6.0	6.1
Education background	Ph.D	0.17%	0.21%	0.21%
	Master's	13.17%	13.95%	13.94%
	Bachelors Degree	79.53%	79.04%	78.99%
	Senior High School	7.13%	6.80%	6.86%
	Senior High School and below	0.00%	0.00%	0.00%

D. Information on environmental protection expenses

The Group is principally engaged in the IC distributors industry, and its main business is the trading and R&D of electronic components. Due to the non-manufacturing nature of the industry, there are no environmental pollution issues. However, the Group and its suppliers are still working together on the development and application of green environmental protection technologies, and are working hard to solve environmental problems that are gradually depleting Earth's energy. The Company did not sustain any losses due to environmental pollution during the most recent year and up to the annual report publication date. When purchasing goods, the Group complies with environmental regulations and industry regulations, such as conflict minerals.

E. Employer/employee relations

1. The Group's various employee benefit measures, education, training, retirement system and its implementation, as well as labor-management agreements and various employee rights protection measures.

- (1) Employee benefit measures:

- The Group provides comprehensive care of its employees and strives to create a warm, safe, and friendly workplace environment.

- a. Employee benefits and subsidies

- The Company's Welfare Committee provides various benefits such as: group insurance, public liability insurance, maternity subsidy, funeral decoration subsidy, wedding and funeral allowance, monetary gifts of birthday and festivals, gifts for festivals and New Year, contracted store discount, etc.

- b. Diverse club activities

- The Welfare Committee encourages employees to form clubs, which currently include running club, basketball club, and badminton club, floral club, cooking club, and board game club, as well as the new mountain climbing club. The Company hopes that diverse club activities will enable employees to show their enthusiasm and energy, enhance cultural literacy, and provide mental and physical health relief. The Company hopes that employees can receive comprehensive care in a perfect working environment.

- c. Departmental activities

- In order to promote the friendship and cohesiveness of the departmental colleagues, the Company encourages departments to organize team incentive activities, and to hold parties for departmental colleagues during the Mid-Autumn Festival and Christmas Day.

- d. Healthy diet

- In order to provide employees with healthy and safe food, the Company provides high-quality fruits rich in vitamin C and soy milk made from local organic soy beans every week, coffee freshly brewed from fully automatic coffee machines,

organic tea, fresh milk, etc. The Company also requires drinking water equipment vendors to regularly inspect and maintain the equipment and provide conformity reports on drinking water, in order to take care of employees' health.

e. Cultivation of humanities

Books, magazines, corner promotion materials, etc., are provided for employees to read and relax at the rest area, so colleagues can cultivate humanistic literacy and relax their body and mind while resting.

f. Combination of public interest and underprivileged groups

The masseurs from the Taiwan Blind Union are invited to the Company to provide professional neck and shoulder massage services for employees, in order to eliminate the stress of employees from sitting for long periods of time in the office.

g. Promotion of volunteer events

The Company organized beach cleaning, mountain cleaning, and seasonal agricultural services to help Taiwan's farmers and contribute to ecological protection.

h. Procuring gifts from social welfare groups

The Company gives employees gifts during the holidays that are procured from social welfare groups, e.g. the Hidekawa black bean tea gift box purchased for Chinese New year is a product made with local farmers, the egg roll gift box made by disabled workers at the sheltered workshop for Father's Day, Christmas fund raiser, toy capsules for charity, and donation of previously owned books for a charity sale, and donating all income to social welfare groups.

i. Health consultation

The Group has a full-time health manager and invites physicians to the Company to provide medical and health consultation services to employees. In addition to documenting employees' basic health information, the Company implements health checkups and expense subsidies for all employees, and provides automatic blood pressure monitor and alcohol for sterilization at each workplace, caring for employees' health at all times.

j. Caring for employees' family members

In order for employees to work without worries, the Company also values employees' family members. The Group provides self-pay health checkup preferential plans for employees and their family members. The Company organizes employee travel activities every year, which can improve interpersonal relationships among employees, bring employees closer to their family, and create a good time and memories for employees and family.

(2) Employee training:

The Group attaches importance to the comprehensive development of employees, and creates a suitable working environment based on its belief in talent cultivation. Our employees possess the capabilities to deal with future changes in a rapidly

evolving business environment. We have a comprehensive training and development roadmap in place, allowing our employees to effectively apply what they have learned and excel in their work.

a. Training&Development Roadmap

Based on the future development of the organization and the needs of departments,the human resources unit plans training activities suitable for each level and function each year, cooperates with the unit supervisor to implement OJT (on the job training), and gradually trains Group's employees to have the necessary knowledge and skills.

The Group's training & development roadmap is constructed as follows:

(a) Core Value:

The Croup's core value guides employees to move in the same direction as the Company does, and the Group cultivates employees to have mentality and behavior in line with core values.

(b) New Employee Orientation:

We assist new hires to assimilate into the new work environment through various training activities and a mentoring system, and assist them to identify with the corporate culture and management principles.

(c) Working Skill Training:

We provide periodical training for our employees to improve their soft skills and hard skills required at work, in order to enhance work efficiency.

(d) Functional Expertise Training:

All units have developed employees' relevant professional skills and knowledge through internal and external training and OJT.

(e) Leadership Development:

We provide tailor-made management and leadership modules for employees at various levels to help improve management skills and foster leadership thinking among department heads. This equips employees with the necessary know-how and drives them to lead their teams in achieving the organization's goals.

(f) Language Training:

We also provide our employees with foreign language training which helps them to develop excellent business communication skills, expand their global horizons and become top-notch professionals.

b. Implementation of employee education and training in the current year:

Total number of trainees	Total training sessions	Total training hours
1,531 people	148 sessions	2,333 hours

(3) Information on the relevant licenses specified by the competent authority obtained by the Group's personnel related to financial information transparency:

- a. International certified internal auditor: 2
- b. R.O.C. Certified Internal Auditors: 2
- c. R.O.C. CPA: 3
- d. U.S. CPA: 1

(4) Retirement system and its implementation:

The Supervisory Committee of Business Entities' Labor Retirement Reserve was established in February 1998. It consists of 9 members, with 2 business representatives and 7 labor representatives. The members are re-elected every four years, and verify and audit the contribution amount, deposit and disbursement of workers' retirement reserve fund to ensure the rights and interests of workers. At present, the Company contributes 2% of total monthly salary to the workers' retirement reserve fund to the account in the Bank of Taiwan (formerly known as the Central Trust of China).

Since July 1, 2005, the Company established retirement regulations for the defined contribution plan, which is applicable to employees with ROC citizenship in accordance with the Labor Pension Act. The Company contributes a monthly pension of not less than 6% of the salary to individual accounts at the Bureau of Labor Insurance for employees applicable to the Act.

(5) Employer-employee relations and employee rights protection measures:

The Group has always attached great importance to employees' benefits and interests, and actively promotes harmonious relationships between employees and employer. The Company has working rules and various personnel management regulations, which specifically regulate the rights and obligations of labor and employer and management matters, so employees can fully understand, abide by and protect their rights and interests. The Company also has an employee complaint channel. Through emails or the stakeholder section on the Company's official website, employees can have two-way communication about the Company's systems and regulations and problems they encountered in the workplace.

In addition, according to the Company's Articles of Association, if the Company has a profit, it shall appropriate no less than 1% as employee compensation to reward employees.

At present, employee rights have been properly protected, and both sides are expected to continue maintaining a harmonious relationship in the future with good interaction and communication.

(6) Protective measures taken to ensure a safe working environment and maintain employees' personal safety:

The Group's primary goal is to provide employees with a safe, healthy and comfortable work environment, promoting a friendly working environment with harmonious management-labor relations and mutual trust and assistance. The Group also complies with laws and regulations related to environmental protection, safety and health policies.

The Group is committed to the following matters:

a. Access security management

In addition to having security guards deployed in the industrial park, there is a 24-hour strict access control system monitoring day and night. Emergency pagers are installed in the restroom. Employees need to wear their identification cards when entering and leaving the office. The Company has also signed a contract with a security company to strengthen office and warehouse security.

b. Regular inspection of equipment and building maintenance

The Group complies with the relevant domestic labor safety and health regulations, and requires regular maintenance of equipment, buildings and fire-fighting equipment to meet the regulatory requirements.

c. Hazard prevention

The Company established safety and health work rules for employees to follow in order to prevent occupational disasters and protect the safety and health of employees. The Group has set category A labor safety and health affair supervisors, category B health and safety management personnel, and several on-site emergency personnel and fire fighting management personnel, and provides relevant training. In addition, the Group also organizes an employee self-prevention team, and conducts fire safety drills every six months.

d. Environment cleaning and management

- (a) The central air conditioning in the office is maintained and cleaned annually to keep air fresh in the office; environmental disinfection is carried every year to keep the office clean.
- (b) Automatic coffee machines are cleaned and maintained daily. The drinking water dispenser's filter is regularly changed and the water quality is tested to ensure the quality of drinking water.

e. Health management

- (a) Organize health education lectures, irregularly promote health knowledge, strengthen employees' health and safety self-management, and prevent and reduce the chance of accidents.
- (b) Regularly implement employee health checkups and health management follow-up every year.
- (c) Alcohol disinfectant sprays and medical grade masks are provided at the entrance for employees, and decontamination hand sanitizer is prepared in pantries and on sink counters in restrooms to prevent the spread of epidemic diseases and maintain employees' health.
- (d) Smoking is completely banned in the office so that employees can work in a smoke-free work environment.

f. Promoting sports activities

A multi-purpose classroom is provided for sports courses, a variety of sports

courses offered in coordination with the sports center, and employees are encouraged to participate in the courses to develop good exercise habits.

g. Educational training and promotion

(a) New employees must participate in new employee training to become familiar with the working environment and to promote employee safety.

(b) Promote energy saving and carbon reduction, reduce waste of resources, and promote environmental protection activities in the office. The Company irregularly prepares promotion materials to educate employees to develop energy-saving and carbon-reducing habits and jointly save the Earth.

h. Resource recycling application

(a) Office resources are donated to welfare groups for recycling and reuse, in order to reduce waste and reduce the impact on the environment.

(b) Recycle and reuse carton boxes and packaging materials.

(c) Promote electronic information management in office, paper double-sided printing, reusing the blank back side of recycled papers, and reusing manila envelopes internally. Add photocopiers with a scanning function to reduce the printing on paper.

2. Losses sustained due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the most recent year and up to the printing date of the annual report, and disclose current and future estimated amount and response measures; if it cannot be reasonably estimated, describe the facts that it cannot be reasonably estimate:

The Company did not sustain any losses due to employer-employee disputes in the most recent year and up to the annual report publication date.

The Company has always attached great importance to employees' benefits and interests, and actively promotes harmonious relationships between employees and employer. WT Microelectronics Co., Ltd. established work rules and management regulations in accordance with the Labor Standards Act and related laws and regulations, and also established the Corporate Social Responsibility Best Practice Principles, which prescribes the rights and obligations of employee and employer, as well as management matters. This allows employees to fully understand and comply with and protect their lawful rights and social welfare. WT Microelectronics Co., Ltd. fulfills its commitment to vendors, customers, employees, shareholders and society, and will give every effort to protect the rights and interests of all stakeholders, making WT Microelectronics Co., Ltd. a trustworthy enterprise.

WT Microelectronics Co., Ltd. also provides a good communication platform, and allows all stakeholders to provide feedback on the Company's official website; internal employees may provide feedback via e-mail, telephone, or writing, and engage in two-way communication regarding issues encountered in the Company's systems and work

environment, as well as issues they are concerned about. The Company can also properly handle and provide feedback or improvement plans to achieve effective communication. The Group regularly convenes supervisor meetings and related department meetings, and notifies the operational changes that may have a significant impact on employees through methods such as announcements, etc. At present, employee rights have been properly protected, there have been no major employer-employee disputes or negotiations, and both sides are expected to continue maintaining a harmonious relationship in the future with good interaction and communication.

F. Material contracts (As of the annual report publication date on February 17, 2020)

Nature of contract	The Parties	Term of contract	Content	Restriction clauses
Distributor Agreement [WT Microelectronics Co., Ltd.]	Maxim Integrated Products, Inc. Maxim Integrated Products International Limited.	2017/9/14-2019/9/13 Unless terminated by either party, it shall only be renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	ON Semiconductor Trading Sarl	2015/12/19-2020/5/31 Only renewable by mutual agreement of the parties.	Agent distribution of semiconductor products	Restrictions on distribution region
	STMicroelectronics Asia Pacific Ltd.	2011/1/1-2011/12/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Marvell Asia Pte. Ltd.	2017/9/28-2018/9/27 Unless terminated by either party, it shall be automatically renewed monthly.	Agent distribution of semiconductor products	Restrictions on distribution region
	Texas Instrument	2018/10/1-2020/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Ambarella Inc.	2005/10/1-2006/9/30 If contract performance continues after termination, the contract will be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	MagnaChip Semiconductor, Ltd.	2010/5/1-2011/4/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Micron Semiconductor Asia Pte.	Perpetually effective since 2012/1/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	Nuvoton Technology Corporation	Perpetually effective since 2011/4/2.	Agent distribution of semiconductor products	Restrictions on distribution region
	U-blox AG	2010/9/6-2011/9/5 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Silicon Laboratories International Pte. Ltd.	2012/10/4-2013/10/3 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Philips Lumileds Lighting Company	2012/12/20-2013/12/19 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Sanken Electric, Co., Ltd.	2013/1/1-2016/5/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	NXP Semiconductors Netherlands B.V.,	2016/7/4-2017/7/3 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Silergy Corp.,	2016/3/7-2017/3/6 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	DIGITALPERSONA, INC	2019/7/1-2020/6/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Taiwan Semiconductor Co.	2017/6/2-2018/6/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Skyworks Solutions, Inc.,	2018/10/1-2019/9/30 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	MaxLinear Asia Singapore Private Limited	2019/7/1-2020/6/30 Unless terminated by either party, it shall be automatically renewed for one year, but can only be renewed up to 2 times.	Agent distribution of semiconductor products	Restrictions on distribution region
	Integrated Device Technology Malaysia Sdn. Bhd.	2017/10/2-2019/10/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
IDT Europe GmbH	2017/10/2-2019/10/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region	
Synaptics Incorporated	2018/11/30-2019/11/29 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region	
Nuvoton Technology Corp	2018/2/1-2019/1/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region	
OSRAM Opto Semiconductors (Taiwan) Ltd	2017/12/1-2021/11/30	Agent distribution of semiconductor products	Restrictions on distribution region	

Nature of contract	The Parties	Term of contract	Content	Restriction clauses
Distributor Agreement [WT Microelectronics Co., Ltd.]	Nanya Technology Corporation	2017/7/1-2018/12/31 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region
	Microsemi Corporation	Perpetually effective since 2018/3/16.	Agent distribution of semiconductor products	Restrictions on distribution region
	OmniVision Technologies Singapore Pte. Ltd.	2018/5/2-2019/5/1 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Semtech (International) AG	2018/9/1-2019/8/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Microchip Technology Ireland	Perpetually effective since 2018/10/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	CREE, INC.	2019/11/26-2020/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Amlogic Co., Limited	Starting in 2019/1/1, the decision to renew or terminate the contract is made at the beginning of the year.	Agent distribution of semiconductor products	Restrictions on distribution region
	Richtek Technology Corporation	2020/1/1 -2021/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Winbond Electronics Corporation	2020/1/1 -2020/12/31	Agent distribution of semiconductor products	Restrictions on distribution region
	Qwave Technology Co., Ltd.	2019/10/1-2020/9/30 Automatically renewed.	Agent distribution of semiconductor products Restrictions on distribution region	Restrictions on distribution region
	Renesas Electronics Corporation	Perpetually effective since 2019/11/8.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [Nuvision Technology Inc.]	Realtek Semiconductor Corp,	Perpetually effective since 2017/1/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	Allegro MicroSystems, Inc.	Perpetually effective since 2012/10/1.	Agent distribution of semiconductor products	Restrictions on distribution region
	Analog Devices International U.C	2018/8/13-2019/12/31 Unless terminated by either party, it shall be automatically renewed for one year.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [MORRIHAN SINGAPORE PTE.LTD.]	Nanya Technology Corporation	2018/7/1-2019/6/30 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [WT Microelectronics (Shenzhen)Co., Ltd.]	ASR Microelectronics(Shenzhen)Co.,Ltd.	Perpetually effective since 2019/11/25.	Agent distribution of semiconductor products	Restrictions on distribution region
Distributor Agreement [Techmosa International Inc.]	Nanya Technology Corporation	2020/1/1-2020/12/31 Unless terminated by either party, it shall be automatically renewed for one year, but may only be renewed once.	Agent distribution of semiconductor products	Restrictions on distribution region

VI. Financial Overview

- A. Condensed Balance Sheet and Statement of Comprehensive Income for the last five years
 1. Condensed Balance Sheet and Statement of Comprehensive Income
 (1) Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Item \ Year		Financial statements for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		43,188,730	57,161,650	70,352,968	88,883,516	96,159,316
Property, plant and equipment (Note 2)		524,676	473,907	785,965	995,294	1,010,410
Intangible assets		1,576,655	1,550,858	1,663,682	1,878,609	1,883,859
Other assets (Note 2)		1,886,771	2,217,966	2,363,533	2,067,389	2,313,651
Total Assets		47,176,832	61,404,381	75,166,148	93,824,808	101,367,236
Current liabilities	Before distribution	28,062,866	42,787,905	52,450,078	71,284,303	75,682,313
	After distribution	29,361,015	43,929,685	53,831,501	72,672,270	(Note 3)
Non-current liabilities		2,189,291	1,713,366	2,634,502	732,917	2,205,787
Total liabilities	Before distribution	30,252,157	44,501,271	55,084,580	72,017,220	77,888,100
	After distribution	31,550,306	45,643,051	56,466,003	73,405,187	(Note 3)
Equity attributable to owners of parent		16,924,092	16,902,470	20,080,934	21,806,876	23,478,394
Capital		4,476,377	4,715,196	5,522,619	5,576,106	5,914,369
Capital surplus		6,278,786	6,372,059	8,660,739	8,773,382	9,531,836
Retained earnings	Before distribution	4,466,459	4,635,715	6,006,678	7,600,956	8,823,331
	After distribution	3,168,310	3,493,935	4,625,255	6,212,989	(Note 3)
Other equity		1,702,470	1,179,500	(109,102)	(143,568)	(791,142)
Treasury stock		0	0	0	0	0
Non-controlling interests		583	640	634	712	742
Total amount of Equity	Before distribution	16,924,675	16,903,110	20,081,568	21,807,588	23,479,136
	After distribution	15,626,526	15,761,330	18,700,145	20,419,621	(Note 3)

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: No assets were reappraised in the years above.

Note 3: As of the publication date of this annual report, the 2019 earnings distribution was approved by the Board of Directors.

(2) Condensed Balance Sheet (Parent Company Only)

Unit: NT\$1,000

Item	Year	Financial statements for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		25,943,746	37,023,077	36,220,796	57,901,824	65,048,475
Property, Plant and Equipment (Note 2)		462,471	435,749	428,680	473,628	487,709
Intangible assets		134,981	127,529	61,338	228,117	254,427
Other Assets (Note 2)		13,715,558	15,096,602	18,498,226	19,311,502	19,370,382
Total Assets		40,256,756	52,682,957	55,209,040	77,915,071	85,160,993
Current liabilities	Before distribution	21,177,118	34,110,909	32,638,507	55,601,536	59,920,804
	After distribution	22,475,267	35,252,689	34,019,930	56,989,503	(Note 3)
Non-current liabilities		2,155,546	1,669,578	2,489,599	506,659	1,761,795
Total liabilities	Before distribution	23,332,664	35,780,487	35,128,106	56,108,195	61,682,599
	After distribution	24,630,813	36,922,267	36,509,529	57,496,162	(Note 3)
Capital		4,476,377	4,715,196	5,522,619	5,576,106	5,914,369
Capital surplus		6,278,786	6,372,059	8,660,739	8,773,382	9,531,836
Retained earnings	Before distribution	4,466,459	4,635,715	6,006,678	7,600,956	8,823,331
	After distribution	3,168,310	3,493,935	4,625,255	6,212,989	(Note 3)
Other equity		1,702,470	1,179,500	(109,102)	(143,568)	(791,142)
Treasury stock		0	0	0	0	0
Total amount of Shareholders' Equity	Before distribution	16,924,092	16,902,470	20,080,934	21,806,876	23,478,394
	After distribution	15,625,943	15,760,690	18,699,511	20,418,909	(Note 3)

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: No assets were reappraised in the years above.

Note 3: As of the publication date of this annual report, the 2019 earnings distribution was approved by the Board of Directors.

(3) Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years (Note 1)				
	2015	2016	2017	2018	2019
Operating Revenue	113,598,195	144,147,461	189,419,235	273,416,485	335,187,151
Operating margin	6,390,299	6,925,005	8,421,582	10,644,948	10,800,405
Operating income	2,475,682	2,460,528	3,918,170	5,253,715	5,253,230
Non-operating income and expense	(126,115)	(422,814)	(813,280)	(1,632,905)	(1,944,145)
Pre-tax profit	2,349,567	2,037,714	3,104,890	3,620,810	3,309,085
Continuing operations Current period net profit	1,983,418	1,699,670	2,520,136	2,778,515	2,531,247
Income (loss) on Discontinued Operations	0	0	0	0	0
Net income (loss)	1,983,418	1,699,670	2,520,136	2,778,515	2,531,247
Other comprehensive income (Net amount after tax)	270,042	(531,221)	(1,295,829)	261,002	(568,192)
Total comprehensive income	2,253,460	1,168,449	1,224,307	3,039,517	1,963,055
Net profit attributable to parent company shareholders	1,983,249	1,699,457	2,519,897	2,778,229	2,530,940
Profit Attributable to Noncontrolling Interest	169	213	239	286	307
Comprehensive Income (Loss) Attributable to Owners of the Parent	2,253,253	1,168,254	1,224,141	3,039,224	1,962,768
Comprehensive Income Attributable to Noncontrolling Interest	207	195	166	293	287
Earnings Per Share (Note 2)	4.27	3.61	5.26	5.02	4.32

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Based on weighted average shares outstanding in each year.

(4) Condensed Statement of Comprehensive Income (Parent Company Only)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years (Note 1)				
	2015	2016	2017	2018	2019
Operating Revenue	87,510,801	113,704,123	146,986,637	213,640,619	273,996,730
Operating margin	2,646,154	3,067,319	4,056,559	4,512,445	4,744,426
Operating income	1,035,860	1,250,268	2,098,084	2,272,517	2,308,434
Non-operating income and expense	1,135,037	649,185	734,860	872,596	573,962
Pre-tax profit of continuing operations	2,170,897	1,899,453	2,832,944	3,145,113	2,882,396
Net income (loss)	1,983,249	1,699,457	2,519,897	2,778,229	2,530,940
Other comprehensive income	270,004	(531,203)	(1,295,756)	260,995	(568,172)
Total comprehensive income	2,253,253	1,168,254	1,224,141	3,039,224	1,962,768
Earnings Per Share (Note 2)	4.27	3.61	5.26	5.02	4.32

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Based on weighted average shares outstanding in each year.

2. Name of CPA and Auditors' Opinions for the last five years

Year	Name of accounting firm	Name of CPA	Audit opinion
2015 (2015.1.1-2015.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2016 (2016.1.1-2016.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2017 (2017.1.1-2017.12.31)	PricewaterhouseCoopers Taiwan	Hsu, Sheng-Chung and Hsu, Yung-Chien	Unqualified opinion
2018 (2018.1.1-2018.12.31)	PricewaterhouseCoopers Taiwan	Sheng-Chung Hsu and Han-Chi Wu	Unqualified opinion
2019 (2019.1.1-2019.12.31)	PricewaterhouseCoopers Taiwan	Juanlu, Man-Yu, Wu, Han-Chi	Unqualified opinion

B. Financial analysis of the last five years

1. Financial Analysis (Consolidated)

Item		Year	Financial analysis of the last five years (Note 1)				
		2015	2016	2017	2018	2019	
Financial structure %	Debt to asset ratio	64.13	72.47	73.28	76.76	76.84	
	Long-term Fund to Property, Plant and Equipment	3,643.00	3,928.30	2,890.21	2,264.71	2,542.03	
Liquidity %	Current Ratio	153.90	133.59	134.13	124.69	127.06	
	Quick Ratio	94.33	81.43	70.34	58.45	66.00	
	Times interest earned	12.75	8.24	6.83	5.09	4.28	
Operating ability	Average Collection Turnover (Times)	6.15	5.38	5.92	7.71	8.04	
	Average days of collection	59	68	62	47	45	
	Average Inventory Turnover (Times)	6.72	7.09	6.55	6.57	7.00	
	Average Payables Turnover (Times)	9.10	9.18	8.40	8.41	7.75	
	Average days of sales	54	51	56	56	52	
	Property, Plant and Equipment Turnover (Times)	195.89	288.70	300.70	306.99	334.23	
	Total Assets Turnover (Times)	2.54	2.66	2.77	3.24	3.43	
Profitability	Return on Total Assets (%)	4.80	3.56	4.34	4.13	3.42	
	Return on Equity (%)	12.88	10.05	13.63	13.27	11.18	
	Pre-tax Income to Paid-in Capital Ratio (%)	52.49	43.22	56.22	64.93	55.95	
	Net Margin (%)	1.75	1.18	1.33	1.02	0.76	
	Earnings Per Share (NT\$)	4.27	3.61	5.26	5.02	4.32	
Cash flows	Cash Flow Ratio (%) (Note 2)	—	—	—	—	3.79	
	Cash Flow Adequacy Ratio (%) (Note 2)	—	—	—	—	—	
	Cash Flow Reinvestment Ratio (%) (Note 2)	—	—	—	—	5.88	
Leverage	Operating leverage	2.44	2.60	2.04	1.91	1.93	
	Financial leverage	1.09	1.13	1.16	1.20	1.24	

Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).

- (1) Net Margin: The decline of net profit margin from 1.02% to 0.76% was mainly due to the continued expansion of the Company's business scale and significant increase in revenue. The increase in bank loans to meet the demand on working capital also increased financial costs, resulting in the decline in net profit margin.
- (2) Cash flow ratio: The Company significantly increased inventory in 2018 to prepare future demand, resulting in the net cash outflow from operating activities. The net cash inflow from operating activities was mainly due to the slowing increase in inventory in 2019.

Note 1: The above financial statements have been audited or reviewed by an independent accountant.

Note 2: Negative results are not listed.

Note 3: The calculation excludes cumulative effect of changes in accounting principles.

Note 4: The formulas for financial analysis calculations are as follows:

- (1) Financial structure:
 - a. Debt to asset ratio = Total Liabilities / Total Assets
 - b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
- (2) Liquidity:
 - a. Current Ratio = Current Assets / Current Liabilities
 - b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
 - c. Time interest earned = net income before income tax and interest expense / current interest expense.
- (3) Operating ability:
 - a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
 - b. Average Collection Days = 365 / Average Collection Turnover
 - c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
 - d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
 - e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
 - f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - g. Fixed assets turnover ratio = net sales / total average fixed assets.
- (4) Profitability:
 - a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets
 - b. Return on Equity = Net Income / Average Equity
 - c. Net profit margin = after-tax profit / net operating income.
 - d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
- (5) Cash flows:
 - a. Cash flow ratio = new cash flows from operating activities / current liabilities.
 - b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
 - c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
- (6) Leverage:
 - a. Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit.
 - b. Financial leverage = operating profit / (operating profit – interest expense).

2. Financial Analysis (Parent Company Only)

Item		Financial analysis of the last five years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure %	Debt to asset ratio	57.96	67.92	63.63	72.01	72.43
	Long-term Fund to Property, Plant and Equipment	4,125.59	4,262.10	5,265.12	4,711.19	5,175.26
Liquidity %	Current Ratio	122.51	108.54	110.98	104.14	108.56
	Quick Ratio	61.82	59.67	45.45	43.03	52.46
	Times interest earned	14.63	10.23	9.55	7.61	5.06
Operating ability	Average Collection Turnover (Times)	9.14	7.84	9.58	11.78	10.36
	Average days of collection	40	47	38	31	35
	Average Inventory Turnover (Times)	6.90	7.54	7.56	7.60	8.02
	Average Payables Turnover (Times)	9.77	9.58	8.82	8.48	7.61
	Average days of sales	53	48	48	48	46
	Property, Plant and Equipment Turnover (Times)	190.05	253.18	340.08	473.54	570.03
	Total Assets Turnover (Times)	2.28	2.45	2.72	3.21	3.36
Profitability	Return on Total Assets (%)	5.51	4.02	5.18	4.75	3.80
	Return on Equity (%)	12.88	10.05	13.63	13.27	11.18
	Pre-tax Income to Paid-in Capital Ratio (%)	48.50	40.28	51.30	56.40	48.74
	Net Margin (%)	2.27	1.49	1.71	1.30	0.92
	Earnings Per Share (NT\$)	4.27	3.61	5.26	5.02	4.32
Cash flows	Cash Flow Ratio (%) (Note 2)	—	—	10.37	—	0.36
	Cash Flow Adequacy Ratio (%) (Note 2)	—	—	—	—	—
	Cash Flow Reinvestment Ratio (%) (Note 2)	—	—	—	—	—
Leverage	Operating leverage	2.33	2.15	1.80	1.81	1.87
	Financial leverage	1.18	1.20	1.19	1.26	1.44
Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).						
(1) Quick Ratio: The significant increase in revenue in 2019 was mainly due to the Company successfully gaining new agented product lines. This also caused the increase in accounts receivable at the end of the period, and the increase in current assets led to the relatively high quick ratio.						
(2) Times interest earned: The increased demand on working capital led to the increase in interest expense, which resulted in the relatively low times interest earned.						
(3) Property, Plant and Equipment Turnover: The Company continued to add new agented product lines, making its overall product portfolio more complete. The increased revenue resulted in the increase in property, plant and equipment turnover.						
(4) Return on Total Assets: The significant increase in revenue in 2019 was mainly due to the Company successfully gaining new agented product lines. This also caused the increase in accounts receivable at the end of the period, resulting in the increase in average total assets and decrease in return on total assets.						
(5) Net Margin: The decline from 1.02% to 0.76% was mainly due to the continued expansion of the Company's business scale and significant increase in revenue. The increase in bank loans to meet the demand on working capital also increased financial costs, resulting in the decline in net profit margin.						
(6) Cash flow ratio: The Company significantly increased inventory in 2018 to prepare future demand, resulting in the net cash outflow from operating activities. The net cash inflow from operating activities was mainly due to the slowing increase in inventory in 2019.						

* The formulas in this chart are the same as the consolidated financial analysis in previous page.

- C. Supervisor's or Audit Committee's review report in the most recent year:
1. Supervisors' Review Report: Not applicable as the Company hasan audit committee.

2. Audit Committee's review report:

WT Microelectronics Co., Ltd.

Audit Committee's Report

The Board of Directors has prepared and submitted the 2019 business report, financial statements, and earnings distribution proposal. The financial statements were audited by PricewaterhouseCoopers Taiwan and has issued a review report. These have been reviewed by the Audit Committee and determined to be correct and accurate as ASE's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2020 Annual Shareholders' Meeting of WT Microelectronics Co., Ltd.

WT Microelectronics Co., Ltd.

Audit Committee convener: Cheng, Tien-Chong

February 15, 2020

D. Financial statements for the most recent year

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd. and Subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. The Group calculates the amount of supplier rebates in accordance with the arrangement, and recognises it as a deduction of accounts payable to suppliers, and also a deduction of cost of sales or inventory depending on whether the inventories have been sold. The Group pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and requires more audit effort to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Performed trend analysis on the ratio of supplier rebates to corresponding transaction amount;
- C. Sampled supplier rebates and tested whether the transaction quantities which were used in the calculation were consistent with its original transaction data, and obtained arrangements and calculation worksheets to ensure that the rebate recognition was consistent with the arrangements:

- D. Sampled the supplier rebates which were recognised before balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- E. Performed confirmation of selected material accounts payable, examined whether there is a significant difference between the amount of supplier rebates recognised based on the arrangements and the amount indicated in the suppliers' confirmation, and investigated the differences, if any.

Impairment assessment of goodwill

Description

Refer to Note 4(20) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(10) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2019, the Group's goodwill amounted to NT\$1,859,262 thousand.

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group uses the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assessed whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the consistency of smallest cash generating unit which was identified by management and used in goodwill allocation, and the lowest level at which management monitored the goodwill;
- B. Assessed management's assessment process of each cash generating unit and determined whether the future cash flows used in valuation model for the next 5 years are consistent with the operating plan which was approved by the Board of Directors;
- C. As the recoverable amount was determined based on value-in-use, ascertained the reasonableness of each estimated growth rate, discount rate and other significant assumptions and performed the following:
 - (a) Compared the reasonableness of estimated growth rate with historical data, economic and external industry forecast information;
 - (b) Compared discount rate assumptions with respect to cash generating units' capital cost and similar return on assets; and
 - (c) Checked the parameters of valuation model and the setting of calculation formula.
- D. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(5) for details of inventory valuation. As at December 31, 2019, the Group's inventories and allowance for inventory valuation losses were NT\$46,779,421 thousand and NT\$984,229 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. For aged inventories and individually determined as obsolete inventories, the net realisable value is determined based on historical experience of inventory usage and sales discount. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are many, and the identification of obsolete and

damaged inventory and its net realisable value are subject to management's judgement, we consider the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry and assessed whether the provision policies and procedures were applied reasonably and consistently in all the periods; and
- C. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, and tested relevant parameters, including the original data for sales and purchases and obtained supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

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

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.



Juanlu, Man Yu



Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 15, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,106,631	3	\$ 3,335,181	4
1120	Financial assets at fair value through other comprehensive income - current	6(2)	404,806	-	24,350	-
1170	Accounts receivable, net	6(3)	44,665,508	44	36,127,336	39
1200	Other receivables	6(3)(4)	1,734,068	2	2,089,219	2
130X	Inventories	6(5)	45,795,192	45	46,875,420	50
1410	Prepayments		411,090	1	342,572	-
1470	Other current assets	6(1) and 8	42,021	-	89,438	-
11XX	Total current assets		<u>96,159,316</u>	<u>95</u>	<u>88,883,516</u>	<u>95</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non- current	6(2)	265,779	-	521,477	-
1550	Investments accounted for using equity method	6(6)	156,858	-	246,346	-
1600	Property, plant and equipment	6(7)	1,010,410	1	995,294	1
1755	Right-of-use assets	6(8)	848,855	1	-	-
1760	Investment property - net	6(9)	104,128	-	104,942	-
1780	Intangible assets	6(10)	1,883,859	2	1,878,609	2
1840	Deferred income tax assets	6(30)	752,760	1	660,027	1
1900	Other non-current assets	6(11)	185,271	-	534,597	1
15XX	Total non-current assets		<u>5,207,920</u>	<u>5</u>	<u>4,941,292</u>	<u>5</u>
1XXX	Total assets		<u>\$ 101,367,236</u>	<u>100</u>	<u>\$ 93,824,808</u>	<u>100</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 25,995,988	26	\$ 26,112,763	28
2110	Short-term notes and bills payable	6(13)	463,840	-	1,828,513	2
2120	Financial liabilities at fair value through profit or loss - current	6(14)	26,118	-	3,994	-
2130	Contract liabilities - current	6(24)	195,597	-	118,246	-
2170	Accounts payable		45,689,544	45	37,997,769	40
2200	Other payables	6(15)	1,803,941	2	1,722,862	2
2230	Current income tax liabilities		644,397	1	639,616	1
2280	Lease liabilities - current		146,154	-	-	-
2320	Long-term liabilities, current portion	6(16)(17)	120,080	-	1,937,468	2
2365	Refund liabilities - current	6(24)	552,019	1	879,111	1
2399	Other current liabilities		44,635	-	43,961	-
21XX	Total current liabilities		<u>75,682,313</u>	<u>75</u>	<u>71,284,303</u>	<u>76</u>
Non-current liabilities						
2530	Bonds payable	6(16)	1,124,091	1	-	-
2540	Long-term loans	6(17)	-	-	122,860	-
2570	Deferred income tax liabilities	6(30)	519,569	1	465,646	1
2580	Lease liabilities - non-current		426,419	-	-	-
2600	Other non-current liabilities	6(18)	135,708	-	144,411	-
25XX	Total non-current liabilities		<u>2,205,787</u>	<u>2</u>	<u>732,917</u>	<u>1</u>
2XXX	Total liabilities		<u>77,888,100</u>	<u>77</u>	<u>72,017,220</u>	<u>77</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(19)	5,903,358	6	5,551,889	6
3130	Certificates of entitlement to new shares from convertible bonds		11,011	-	24,217	-
Capital surplus						
3200	Capital surplus	6(20)	9,531,836	9	8,773,382	9
Retained earnings						
3310	Legal reserve	6(21)	2,019,788	2	1,741,965	2
3320	Special reserve		143,568	-	109,102	-
3350	Unappropriated retained earnings		6,659,975	7	5,749,889	6
Other equity interest						
3400	Other equity interest	6(22)	(791,142)	(1)	(143,568)	-
31XX	Equity attributable to owners of the parent		<u>23,478,394</u>	<u>23</u>	<u>21,806,876</u>	<u>23</u>
36XX	Non-controlling interest	6(23)	<u>742</u>	<u>-</u>	<u>712</u>	<u>-</u>
3XXX	Total equity		<u>23,479,136</u>	<u>23</u>	<u>21,807,588</u>	<u>23</u>
Commitments and contingent liabilities						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 101,367,236</u>	<u>100</u>	<u>\$ 93,824,808</u>	<u>100</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(24)	\$ 335,187,151	100	\$ 273,416,485	100
5000 Operating costs	6(5)	(324,386,746)	(97)	(262,771,537)	(96)
5900 Net operating margin		<u>10,800,405</u>	<u>3</u>	<u>10,644,948</u>	<u>4</u>
Operating expenses	6(28)				
6100 Selling expenses		(4,149,755)	(1)	(4,017,488)	(2)
6200 General and administrative expenses		(987,816)	-	(946,308)	-
6300 Research and development expenses		(407,103)	-	(367,592)	-
6450 Impairment loss determined in accordance with IFRS 9	12(2)	(2,501)	-	(59,845)	-
6000 Total operating expenses		<u>(5,547,175)</u>	<u>(1)</u>	<u>(5,391,233)</u>	<u>(2)</u>
6900 Operating profit		<u>5,253,230</u>	<u>2</u>	<u>5,253,715</u>	<u>2</u>
Non-operating income and expenses					
7010 Other income	6(25)	73,500	-	67,535	-
7020 Other gains and losses	6(26)	21,257	-	101,904	-
7050 Finance costs	6(27)	(1,953,119)	(1)	(1,698,684)	(1)
7060 Share of loss of associates and joint ventures accounted for using equity method	6(6)	(85,783)	-	(103,660)	-
7000 Total non-operating income and expenses		<u>(1,944,145)</u>	<u>(1)</u>	<u>(1,632,905)</u>	<u>(1)</u>
7900 Profit before income tax		3,309,085	1	3,620,810	1
7950 Income tax expense	6(30)	(777,838)	-	(842,295)	-
8200 Profit for the year		<u>\$ 2,531,247</u>	<u>1</u>	<u>\$ 2,778,515</u>	<u>1</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss)						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Losses on remeasurements of defined benefit plans	6(18)	(\$ 10,286)	-	(\$ 6,446)	-
8316	Unrealised gain (loss) on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)(23)	207,749	-	(317,172)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	2,057	-	1,661	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>199,520</u>	-	<u>(321,957)</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(22)(23)	(753,219)	-	590,295	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(6)	(1,406)	-	(5,941)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	(13,087)	-	(1,395)	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(767,712)</u>	-	<u>582,959</u>	-
8300	Total other comprehensive (loss) income for the year		<u>(\$ 568,192)</u>	-	<u>\$ 261,002</u>	-
8500	Total comprehensive income for the year		<u>\$ 1,963,055</u>	<u>1</u>	<u>\$ 3,039,517</u>	<u>1</u>
Profit attributable to:						
8610	Owners of the parent		\$ 2,530,940	1	\$ 2,778,229	1
8620	Non-controlling interest		307	-	286	-
			<u>\$ 2,531,247</u>	<u>1</u>	<u>\$ 2,778,515</u>	<u>1</u>
Comprehensive income attributable to:						
8710	Owners of the parent		\$ 1,962,768	1	\$ 3,039,224	1
8720	Non-controlling interest		287	-	293	-
			<u>\$ 1,963,055</u>	<u>1</u>	<u>\$ 3,039,517</u>	<u>1</u>
Earnings per share (in dollars)						
9750	Basic earnings per share	6(31)	<u>\$ 4.32</u>		<u>\$ 5.02</u>	
9850	Diluted earnings per share		<u>\$ 4.18</u>		<u>\$ 4.71</u>	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent												
	Share capital			Retained earnings				Other equity interest					
	Notes	Share capital - common stock	Certificates of bond-to- stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available- for-sale financial assets	Total	Non- controlling interest	Total equity
<u>2018</u>													
Balance at January 1, 2018		\$ 5,522,227	\$ 392	\$ 8,660,739	\$ 1,489,975	\$ -	\$ 4,516,703	(\$ 975,052)	\$ -	\$ 865,950	\$ 20,080,934	\$ 634	\$ 20,081,568
Effects of retrospective application		-	-	-	-	-	(75,668)	-	843,629	(865,950)	(97,989)	-	(97,989)
Adjusted balance at January 1, 2018		<u>5,522,227</u>	<u>392</u>	<u>8,660,739</u>	<u>1,489,975</u>	-	<u>4,441,035</u>	<u>(975,052)</u>	<u>843,629</u>	-	<u>19,982,945</u>	<u>634</u>	<u>19,983,579</u>
Consolidated net income		-	-	-	-	-	2,778,229	-	-	-	2,778,229	286	2,778,515
Other comprehensive income (loss)	6(22)	-	-	-	-	-	(4,785)	582,952	(317,172)	-	260,995	7	261,002
Total comprehensive income (loss)		-	-	-	-	-	<u>2,773,444</u>	<u>582,952</u>	<u>(317,172)</u>	-	<u>3,039,224</u>	<u>293</u>	<u>3,039,517</u>
Appropriations of 2017 earnings:	6(21)												
Legal reserve		-	-	-	251,990	-	(251,990)	-	-	-	-	-	-
Special reserve		-	-	-	-	109,102	(109,102)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,381,423)	-	-	-	(1,381,423)	-	(1,381,423)
Conversion of convertible bonds	6(19)(20)	29,662	23,825	112,643	-	-	-	-	-	-	166,130	-	166,130
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	277,925	-	(277,925)	-	-	-	-
Balance at December 31, 2018		<u>\$ 5,551,889</u>	<u>\$24,217</u>	<u>\$ 8,773,382</u>	<u>\$ 1,741,965</u>	<u>\$ 109,102</u>	<u>\$ 5,749,889</u>	<u>(\$ 392,100)</u>	<u>\$ 248,532</u>	<u>\$ -</u>	<u>\$ 21,806,876</u>	<u>\$ 712</u>	<u>\$ 21,807,588</u>
<u>2019</u>													
Balance at January 1, 2019		\$ 5,551,889	\$24,217	\$ 8,773,382	\$ 1,741,965	\$ 109,102	\$ 5,749,889	(\$ 392,100)	\$ 248,532	\$ -	\$ 21,806,876	\$ 712	\$ 21,807,588
Consolidated net income		-	-	-	-	-	2,530,940	-	-	-	2,530,940	307	2,531,247
Other comprehensive income (loss)	6(22)	-	-	-	-	-	(8,229)	(767,694)	207,751	-	(568,172)	(20)	(568,192)
Total comprehensive income (loss)		-	-	-	-	-	<u>2,522,711</u>	<u>(767,694)</u>	<u>207,751</u>	-	<u>1,962,768</u>	<u>287</u>	<u>1,963,055</u>
Appropriations of 2018 earnings:	6(21)												
Legal reserve		-	-	-	277,823	-	(277,823)	-	-	-	-	-	-
Special reserve		-	-	-	-	34,466	(34,466)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,387,967)	-	-	-	(1,387,967)	-	(1,387,967)
Due to recognition of equity component of convertible bonds issued	6(20)	-	-	37,762	-	-	-	-	-	-	37,762	-	37,762
Conversion of convertible bonds	6(19)(20)	351,469	(13,206)	720,614	-	-	-	-	-	-	1,058,877	-	1,058,877
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(257)	(257)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	87,631	-	(87,631)	-	-	-	-
Changes in ownership interests in subsidiaries	6(20)	-	-	78	-	-	-	-	-	-	78	-	78
Balance at December 31, 2019		<u>\$ 5,903,358</u>	<u>\$11,011</u>	<u>\$ 9,531,836</u>	<u>\$ 2,019,788</u>	<u>\$ 143,568</u>	<u>\$ 6,659,975</u>	<u>(\$ 1,159,794)</u>	<u>\$ 368,652</u>	<u>\$ -</u>	<u>\$ 23,478,394</u>	<u>\$ 742</u>	<u>\$ 23,479,136</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,309,085	\$ 3,620,810
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	287,610	83,271
Amortisation	6(28)	9,776	10,642
Impairment loss determined in accordance with IFRS 9	12(2)	2,501	59,845
Net loss (income) on financial liabilities at fair value through profit or loss	6(26)	9,982	(80,128)
Share of loss of associates and joint ventures accounted for using equity method	6(6)	85,783	103,660
Loss on disposal of property, plant and equipment, net	6(26)	285	838
Impairment loss	6(26)	3,811	-
Interest expense	6(27)	1,036,861	902,649
Interest income	6(25)	(21,500)	(13,232)
Dividend income	6(25)	(5,977)	(17,634)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(9,660,226)	(2,483,886)
Other receivables		332,388	(703,121)
Inventories		115,385	(12,660,421)
Prepayments		(57,545)	30,863
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		12,154	76,352
Contract liabilities		74,386	(10,553)
Accounts payable		9,357,292	12,189,354
Other payables		23,965	193,667
Other current liabilities (including refund liabilities)		(325,880)	(16,418)
Accrued pension liabilities		(20,869)	(180)
Cash inflow generated from operations		4,569,267	1,286,378
Interest received		21,500	13,232
Dividends received		5,977	17,634
Interest paid		(1,045,436)	(862,978)
Income taxes paid		(684,002)	(673,951)
Net cash flows from (used in) operating activities		<u>2,867,306</u>	<u>(219,685)</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 20,000)	(\$ 31,601)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	92,212	305,528
Decrease in other financial assets		47,220	382,482
Acquisition of property, plant and equipment	6(34)	(110,030)	(168,353)
Proceeds from disposal of property, plant and equipment		488	1,495
Acquisition of intangible assets	6(10)	(23,585)	(3,262)
Net cash payments for business combination	6(32)	(15,396)	(191,729)
Decrease (increase) in other non-current assets		3,932	(73,602)
Acquisition of right-of-use assets		(17,227)	-
Net cash flows (used in) from investing activities		(42,386)	220,958
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(35)	(11,581)	2,495,603
(Decrease) increase in short-term notes and bills payable	6(35)	(1,374,671)	318,426
Payments of long-term loans	6(35)	(865,160)	(750,000)
Proceeds from issuing bonds	6(35)	1,195,000	-
Repayments of bonds	6(35)	(49,900)	-
(Decrease) increase in other non-current liabilities		(1,547)	55,220
Changes in non-controlling interest	6(23)	(257)	(215)
Payment of lease liabilities	6(35)	(156,509)	-
Cash dividends paid	6(21)	(1,387,967)	(1,381,423)
Net cash flows (used in) from financing activities		(2,652,592)	737,611
Effect of exchange rate changes		(400,878)	308,222
Net (decrease) increase in cash and cash equivalents		(228,550)	1,047,106
Cash and cash equivalents at beginning of year		3,335,181	2,288,075
Cash and cash equivalents at end of year		\$ 3,106,631	\$ 3,335,181

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 15, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$950,016, increased ‘lease liability’ by \$682,856 and decreased long-term prepaid rents by \$267,160 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period is less than one year and will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$23,168 was recognised for the year ended December 31, 2019.
 - (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.2% to 8.5%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 780,213
Less: Short-term leases	(26,540)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	753,673
Incremental borrowing interest rate at the date of initial application	<u>1.2%~8.5%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 682,856</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary

are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100	100	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100	100	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	-	(a)
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100	100	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100	100	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100	100	

(a) WT Microelectronics India Private Limited is a newly established subsidiary in August 2019.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

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

(6) Cash equivalents

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

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

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

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

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

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

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(19) Intangible assets

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

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(23) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a

financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(28) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-

related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(29) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 1,531	\$ 5,922
Checking accounts and demand deposits	<u>3,105,100</u>	<u>3,329,259</u>
	<u>\$ 3,106,631</u>	<u>\$ 3,335,181</u>

- A. The Group transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2019 and 2018, the time deposits with maturity date over 3 months of \$39,109 and \$39,459, respectively, are recorded as 'other current assets'.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments	\$ 404,806	\$ 24,350
Non-current items:		
Equity instruments	\$ 265,779	\$ 521,477

- A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.
- B. Aiming to satisfy its operating capital needs and due to the liquidation of investees, the Group sold \$92,212 and \$305,528 of listed and unlisted shares at fair value which resulted in a cumulative gain of \$87,631 and \$277,925 on disposal during the years ended December 31, 2019 and 2018, respectively.
- C. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2019 and 2018. Please refer to Note 6(25) for details of dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held for the years ended December 31, 2019 and 2018.
- D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2019 and 2018.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 1,774,036	\$ 1,898,859
Accounts receivable	43,172,327	34,665,485
Less: Allowance for uncollectible accounts	(280,855)	(437,008)
Notes and accounts receivable, net	44,665,508	36,127,336
Overdue receivables	975,343	845,997
Less: Allowance for uncollectible accounts	(975,343)	(845,997)
Overdue receivables, net (shown as 'other non-current assets')	-	-
	\$ 44,665,508	\$ 36,127,336

- A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$33,513,690.

B. Transferred financial assets that are derecognised in their entirety

- (a) As of December 31, 2019 and 2018, the Group had outstanding discounted notes receivable amounting to \$1,475,639 and \$914,373, respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.
- (b) The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable transferred		
(Amount derecognised)	\$ 36,854,586	\$ 45,740,462
Amount advanced	\$ 36,248,848	\$ 44,738,105
Amount retained	\$ 605,738	\$ 1,002,357

- i. The above amounts retained are shown as 'other receivables'. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- ii. As of December 31, 2019 and 2018, the interest rates for amounts advanced ranged between 1.2%~3.97% and 1.3270%~4.0698%, respectively.
- iii. As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring were \$81,356,704 and \$78,873,368, respectively.
- iv. As of December 31, 2019 and 2018, the Group has issued a promissory note of \$156,259,104 and \$125,690,581, respectively, as performance guarantee against any business dispute.
- v. Please refer to Note 6(27) for information on financing charges on accounts receivable factoring for the years ended December 31, 2019 and 2018.

C. Transferred financial assets that are not derecognised in their entirety

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring agreement with recourse were \$750,500 and \$0, respectively. The Group has no accounts receivable that are financed and amount advanced.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

F. As of December 31, 2019 and 2018, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$15,046,030 and \$6,783,760, respectively, and recorded as 'accounts receivable'.

G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Other receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
VAT refund receivables	\$ 866,889	\$ 824,680
Amounts retained for accounts receivable factoring	605,738	1,002,357
Others	<u>261,441</u>	<u>262,182</u>
	<u>\$ 1,734,068</u>	<u>\$ 2,089,219</u>

(5) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Merchandise inventory	\$ 46,779,421	\$ 47,835,404
Less: Allowance for inventory obsolescence and market value decline	(984,229)	(959,984)
	<u>\$ 45,795,192</u>	<u>\$ 46,875,420</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 324,349,224	\$ 262,718,911
Loss on (gain on reversal of) decline in market value	37,155	(121,256)
Loss on physical inventory	367	261
Loss on disposal of inventory	-	173,621
	<u>\$ 324,386,746</u>	<u>\$ 262,771,537</u>

The Group reversed a previous inventory write-down as certain inventory which were previously provided with allowance were subsequently disposed during the year ended December 31, 2018.

(6) Investments accounted for using equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
JCD Optical (Cayman) Co., Ltd.	\$ 62,571	\$ 86,146
Qwave Technology Co., Ltd.	34,934	40,305
Rainbow Star Group Limited	30,077	31,406
Joy Capital Ltd.	29,276	30,795
Supreme Mega Ltd.	-	57,694
	<u>\$ 156,858</u>	<u>\$ 246,346</u>

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Loss for the year from continuing operations	(\$ 85,783)	(\$ 103,660)
Other comprehensive loss, net of tax	(1,406)	(5,941)
Total comprehensive loss	<u>(\$ 87,189)</u>	<u>(\$ 109,601)</u>

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 634,212	\$ 360,629	\$ 296,940	\$ 1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 535,820	\$ 142,394	\$ 91,621	\$ 995,294
Additions	-	-	55,816	70,001	125,817
Disposals	-	-	(770)	(3)	(773)
Reclassifications	-	24,663	-	-	24,663
Depreciation charge	-	(14,631)	(54,672)	(46,015)	(115,318)
Net exchange differences	-	(16,278)	(2,909)	(86)	(19,273)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$ 1,010,410</u>
<u>At December 31, 2019</u>					
Cost	\$ 225,459	\$ 641,873	\$ 389,030	\$ 354,743	\$ 1,611,105
Accumulated depreciation and impairment	-	(112,299)	(249,171)	(239,225)	(600,695)
	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$ 1,010,410</u>

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>					
Cost	\$ 225,459	\$ 496,075	\$ 339,669	\$ 230,936	\$ 1,292,139
Accumulated depreciation and impairment	-	(86,466)	(228,327)	(191,381)	(506,174)
	<u>\$ 225,459</u>	<u>\$ 409,609</u>	<u>\$ 111,342</u>	<u>\$ 39,555</u>	<u>\$ 785,965</u>
<u>2018</u>					
Opening net book amount	\$ 225,459	\$ 409,609	\$ 111,342	\$ 39,555	\$ 785,965
Additions	-	-	78,325	78,555	156,880
Disposals	-	-	(778)	(1,555)	(2,333)
Reclassifications	-	148,399	-	-	148,399
Depreciation charge	-	(12,107)	(45,625)	(24,725)	(82,457)
Net exchange differences	-	(10,081)	(870)	(209)	(11,160)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>
<u>At December 31, 2018</u>					
Cost	\$ 225,459	\$ 634,212	\$ 360,629	\$ 296,940	\$ 1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>

A. Office and other equipments at December 31, 2019 and 2018 were for the Group's own use and not for lease.

B. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with the non-related parties in the first quarter of 2016. The agreements are purchases of property located in Beijing Municipality for business use for a contract price of \$225,976 (RMB 48,732 thousand) which has been settled by the Group. In the first and fourth quarter of 2018, the transfer of the properties had been completed and accepted. As of December 31, 2018, the amounts of \$148,399 and \$77,577 were recorded as 'property, plant, equipment – buildings and structures' and 'other non-current assets-long-term prepaid rents', respectively.

(8) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 284,991	\$ 5,466
Buildings and structures	563,864	166,012
	<u>\$ 848,855</u>	<u>\$ 171,478</u>

C. For the years ended December 31, 2019, the additions to right-of-use assets was \$134,292.

D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 19,793
Expense on short-term lease contracts	97,140

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$273,442.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>
<u>2019</u>			
Opening net book amount	\$ 82,839	\$ 22,103	\$ 104,942
Depreciation charge	-	(814)	(814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>
<u>At December 31, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,810)	(17,707)
	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,182)	(16,079)
	<u>\$ 82,839</u>	<u>\$ 22,917</u>	<u>\$ 105,756</u>
<u>2018</u>			
Opening net book amount	\$ 82,839	\$ 22,917	\$ 105,756
Depreciation charge	-	(814)	(814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>
<u>At December 31, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from the lease of the investment property	<u>\$ 2,602</u>	<u>\$ 2,597</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 814</u>	<u>\$ 814</u>

B. The fair values of the investment property held by the Group as at December 31, 2019 and 2018 were \$136,824 and \$130,104, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 2,038,130	\$ 78,901	\$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ 1,878,609</u>
<u>2019</u>			
Opening net book amount	\$ 1,867,821	\$ 10,788	\$ 1,878,609
Additions	15,396	23,585	38,981
Amortisation charge (shown as 'general and administrative expenses')	-	(9,776)	(9,776)
Impairment loss	(3,811)	-	(3,811)
Net exchange differences	(20,144)	-	(20,144)
Closing net book amount	<u>\$ 1,859,262</u>	<u>\$ 24,597</u>	<u>\$ 1,883,859</u>
<u>At December 31, 2019</u>			
Cost	\$ 2,033,381	\$ 102,488	\$ 2,135,869
Accumulated amortisation and impairment	(174,119)	(77,891)	(252,010)
	<u>\$ 1,859,262</u>	<u>\$ 24,597</u>	<u>\$ 1,883,859</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 1,819,565	\$ 75,639	\$ 1,895,204
Accumulated amortisation and impairment	(170,309)	(61,213)	(231,522)
	<u>\$ 1,649,256</u>	<u>\$ 14,426</u>	<u>\$ 1,663,682</u>
<u>2018</u>			
Opening net book amount	\$ 1,649,256	\$ 14,426	\$ 1,663,682
Additions	191,729	3,262	194,991
Amortisation charge (shown as 'general and administrative expenses')	-	(6,900)	(6,900)
Net exchange differences	26,836	-	26,836
Closing net book amount	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ 1,878,609</u>
<u>At December 31, 2018</u>			
Cost	\$ 2,038,130	\$ 78,901	\$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ 1,878,609</u>

- A. The information on intangible assets acquired through business combinations for the years ended December 31, 2019, and 2018 is provided in Note 6(32).
- B. The Group evaluated the impairment of recoverable amount of goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 5%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, the Group recognised impairment loss of goodwill of \$3,811 and \$0 for the years ended December 31, 2019 and 2018, respectively.

(11) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Refundable deposit	\$ 113,703	\$ 134,775
Net defined benefit asset	4,792	1,365
Prepayment for machinery	1,609	25,899
Long-term prepaid rents	-	267,160
Prepayment for property	-	53,393
Others	65,167	52,005
	<u>\$ 185,271</u>	<u>\$ 534,597</u>

The abovementioned long-term prepaid rents comprise land use right contracts signed by the Group for the use of the land in China with a term of 20 to 50 years. The Group recognised rental expense of \$3,742 for the year ended December 31, 2019 and recorded it as 'long-term prepaid rents-amortisation expense'. The long-term prepaid rents were transferred to right-of-use assets on January 1, 2019 in accordance with IFRS 16.

(12) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit loans	\$ 25,995,988	\$ 25,997,237
Secured borrowings	-	115,526
	<u>\$ 25,995,988</u>	<u>\$ 26,112,763</u>
Interest rates per annum	<u>0.9177%~4.002%</u>	<u>0.9114%~4.7894%</u>

Please refer to Note 8 for details of the collaterals of abovementioned secured borrowings.

(13) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper	\$ 465,000	\$ 1,830,000
Amortisation of discount	(1,160)	(1,487)
	<u>\$ 463,840</u>	<u>\$ 1,828,513</u>
Coupon rate	<u>0.61%~0.89%</u>	<u>0.57%~0.89%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Financial liabilities at fair value through profit or loss

<u>Liabilities</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Derivatives	\$ 26,118	\$ 3,994

A. The Group recognised net (loss) gain of (\$9,982) and \$77,103 (shown as ‘other gains and losses’) on financial liabilities at fair value through profit or loss for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instruments and contract information are as follows:

<u>Derivative financial liabilities</u>	<u>December 31, 2019</u>		
	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY) 147,017		2019.11.8~2020.3.27
<u>December 31, 2018</u>			
<u>Derivative financial liabilities</u>	<u>December 31, 2018</u>		
	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY) 18,000		2018.11.28~2019.3.28
Cross currency swap contracts	USD (BUY) 10,000		2018.12.26~2019.2.26

(a) The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For interest rate, to hedge the exchange risk of floating rate, the Company exchanged fixed rate of NTD for floating rate of USD. However, these cross currency swap contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

(15) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries and bonuses payable	\$ 843,313	\$ 819,302
Accrued VAT payable	287,603	220,901
Finance cost payable	120,739	176,467
Costs to provide technical services payable	76,335	73,454
Freight payable	60,622	59,439
Insurance expense payable	47,284	68,311
Others	368,045	304,988
	<u>\$ 1,803,941</u>	<u>\$ 1,722,862</u>

(16) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 1,158,600	\$ 1,074,200
Less: Discount on bonds payable	(34,509)	(7,452)
	1,124,091	1,066,748
Less: Bonds payable, current portion	-	(1,066,748)
	<u>\$ 1,124,091</u>	<u>\$ -</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2019, the conversion price was NT\$37.6 per share.

- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus share options’ amounting to \$36,459 as of December 31, 2019, in accordance with IAS 32.
 - (c) As of December 31, 2019, the convertible bonds converted into 1,101 thousand common shares totaled \$41,400 at par value.
- B. Fifth unsecured convertible bonds of 2016
- (a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:
 - i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was NT\$31.3 per share.
 - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of December 31, 2019, in accordance with IAS 32.
 - (c) As of December 31, 2019, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value.
 - (d) The abovementioned bonds matured on July 7, 2019. The Company repaid \$49,900 for the unconverted bonds in accordance with the contract, and transferred \$1,875 from ‘capital surplus-share options’ to ‘capital surplus-share premium’.
- C. For the years ended December 31, 2019 and 2018, the amortised discount of bonds payable was \$8,882 and \$16,351, respectively.

(17) Long-term loans

Type of loans	Period	December 31, 2019	
		Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	\$ 120,080	\$ 120,080
Less: Long-term borrowings, current portion			(120,080)
			\$ -
Range of interest rates			2.8013%

Type of loans	Period	December 31, 2018	
		Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	368,580	368,580
		\$ 1,868,580	993,580
Less: Long-term borrowings, current portion			(870,720)
			\$ 122,860
Range of interest rates			1.05%~3.7526%

A. Under the Bank SinoPac borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the loans. The Group's financial ratios in the consolidated financial statements for the years ended December 31, 2019 and 2018 met the financial commitment of abovementioned borrowing contract.

B. The Group's liquidity risk is provided in Note 12.

(18) Pensions

A. Defined benefit pension plan

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

of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 194,236	\$ 197,029
Fair value of plan assets	(134,015)	(126,437)
Net defined benefit liability	<u>\$ 60,221</u>	<u>\$ 70,592</u>
Shown as 'other non-current assets'	<u>\$ 4,792</u>	<u>\$ 1,365</u>
Shown as 'other non-current liabilities'	<u>\$ 65,013</u>	<u>\$ 71,957</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 197,029	\$ 126,437	\$ 70,592
Current service cost	1,176	-	1,176
Interest (expense) income	<u>2,010</u>	<u>1,286</u>	<u>724</u>
	<u>200,215</u>	<u>127,723</u>	<u>72,492</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,365	(4,365)
Change in financial assumptions	6,648	-	6,648
Experience adjustments	<u>8,003</u>	<u>-</u>	<u>8,003</u>
	<u>14,651</u>	<u>4,365</u>	<u>10,286</u>
Pension fund contribution	-	4,333	(4,333)
Paid pension	<u>(20,630)</u>	<u>(2,406)</u>	<u>(18,224)</u>
Balance at December 31	<u>\$ 194,236</u>	<u>\$ 134,015</u>	<u>\$ 60,221</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 186,079	\$ 119,705	\$ 66,374
Current service cost	1,153	-	1,153
Interest (expense) income	<u>2,444</u>	<u>1,514</u>	<u>930</u>
	<u>189,676</u>	<u>121,219</u>	<u>68,457</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,294	(3,294)
Change in financial assumptions	6,703	-	6,703
Experience adjustments	<u>3,037</u>	<u>-</u>	<u>3,037</u>
	<u>9,740</u>	<u>3,294</u>	<u>6,446</u>
Pension fund contribution	-	4,311	(4,311)
Paid pension	(<u>2,387</u>)	(<u>2,387</u>)	<u>-</u>
Balance at December 31	<u>\$ 197,029</u>	<u>\$ 126,437</u>	<u>\$ 70,592</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, hence, the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	0.7%~0.8%	0.9%~1.2%
Future salary increases	3%	3%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 5,699)	\$ 5,919	\$ 5,288	(\$ 5,131)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 5,785)	\$ 6,013	\$ 5,389	(\$ 5,225)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to \$3,949.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 11~15 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the

government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were \$194,431 and \$179,621, respectively.

(19) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$10,000,000, consisting of 1 billion shares of ordinary stock (including 90 million shares reserved for employee stock options), and the paid-in capital was \$ 5,903,358 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Shares (in thousands)</u>	<u>Shares (in thousands)</u>
At January 1	557,611	552,262
Shares converted from bonds	<u>33,826</u>	<u>5,349</u>
At December 31	<u>591,437</u>	<u>557,611</u>

C. For the fourth quarter of 2019, convertible bonds amounting to \$41,400 in total par value were requested for conversion into 1,101 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2019.

(20) Capital surplus

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

	2019				
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	\$ 8,684,119	\$ 40,742	\$ 40,362	\$ 8,159	\$ 8,773,382
Issuance of convertible bonds	-	-	37,762	-	37,762
Expiration of convertible bonds	1,875	-	(1,875)	-	-
Conversion of convertible bonds	760,404	-	(39,790)	-	720,614
Changes in subsidiaries accounted for using equity method	-	-	-	78	78
At December 31	<u>\$ 9,446,398</u>	<u>\$ 40,742</u>	<u>\$ 36,459</u>	<u>\$ 8,237</u>	<u>\$ 9,531,836</u>
	2018				
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	\$ 8,565,163	\$ 40,742	\$ 46,675	\$ 8,159	\$ 8,660,739
Conversion of convertible bonds	118,956	-	(6,313)	-	112,643
At December 31	<u>\$ 8,684,119</u>	<u>\$ 40,742</u>	<u>\$ 40,362</u>	<u>\$ 8,159</u>	<u>\$ 8,773,382</u>

B. For the information relating to capital surplus-share options, please refer to Note 6(16).

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be proposed by the Board of Directors and resolved by the shareholders.
- B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The following are the earnings appropriation for the year ended December 31, 2019 proposed by the Board of Directors in February 2020, and the earnings appropriation for the year ended December 31, 2018 resolved in the stockholders' meeting held in June 2019:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 261,034		\$ 277,823	
Special reserve	647,573		34,466	
Cash dividends	<u>1,645,111</u>	\$ 2.776	<u>1,387,967</u>	\$ 2.36
	<u>\$ 2,553,718</u>		<u>\$ 1,700,256</u>	

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(29).

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	(\$ 143,568)
Valuation adjustment on equity instruments	207,751	-	207,751
Disposals reclassified as retained earnings	(87,631)	-	(87,631)
Currency translation differences:			
– Group	-	(766,288)	(766,288)
– Associates	-	(1,406)	(1,406)
At December 31, 2019	<u>\$ 368,652</u>	<u>(\$ 1,159,794)</u>	<u>(\$ 791,142)</u>

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	\$ 865,950	(\$ 975,052)	(109,102)
Effects on retrospective application of IFRS 9	(22,321)	-	(22,321)
Valuation adjustment on equity instruments	(317,172)	-	(317,172)
Disposals reclassified as retained earnings	(277,925)	-	(277,925)
Currency translation differences:			
– Group	-	588,893	588,893
– Associates	-	(5,941)	(5,941)
At December 31, 2018	<u>\$ 248,532</u>	<u>(\$ 392,100)</u>	<u>(\$ 143,568)</u>

(23) Non-controlling interests

	2019	2018
At January 1	\$ 712	\$ 634
Share attributable to non-controlling interest:		
Profit for the year	307	286
Exchange differences on translation of foreign financial statements	(18)	3
Unrealised financial assets at fair value through other comprehensive income	(2)	4
Cash dividends paid	(257)	(215)
At December 31	<u>\$ 742</u>	<u>\$ 712</u>

(24) Operating revenue

	Years ended December 31,	
	2019	2018
Contract revenue		
Sale of electronic components	\$ 335,018,378	\$ 273,277,356
Other operating revenue	168,773	139,129
	<u>\$ 335,187,151</u>	<u>\$ 273,416,485</u>

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time. Please refer to Note 14(4) for revenue information by category.

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Refund liabilities-sales discounts and returns	<u>\$ 552,019</u>	<u>\$ 879,111</u>	<u>\$ 1,218,886</u>
Contract liabilities-advance sales receipts	<u>\$ 195,597</u>	<u>\$ 118,246</u>	<u>\$ 102,535</u>

(25) Other income

	Years ended December 31,	
	2019	2018
Interest income	\$ 21,500	\$ 13,232
Rent revenue	2,602	2,746
Dividend income	5,977	17,634
Other income	43,421	33,923
	<u>\$ 73,500</u>	<u>\$ 67,535</u>

(26) Other gains and losses

	Years ended December 31,	
	2019	2018
Foreign exchange gain, net	\$ 73,043	\$ 25,435
(Loss) gain on financial assets and liabilities at fair value through profit or loss - derivatives	(9,982)	77,103
Gain on financial assets at fair value through profit or loss – equity instruments	-	3,025
Loss on disposal of property, plant and equipment	(285)	(838)
Impairment loss	(3,811)	-
Other losses	(37,708)	(2,821)
	<u>\$ 21,257</u>	<u>\$ 101,904</u>

(27) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 998,188	\$ 875,228
Others	38,673	27,421
Financing charges on accounts receivable factoring	886,252	766,080
Other finance costs	30,006	29,955
	<u>\$ 1,953,119</u>	<u>\$ 1,698,684</u>

(28) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 3,412,629	\$ 3,223,705
Depreciation	287,610	83,271
Amortisation	9,776	10,642
Total (shown as 'Operating expenses')	<u>\$ 3,710,015</u>	<u>\$ 3,317,618</u>

(29) Employee benefit expense

	Years ended December 31,	
	2019	2018
Employee benefit expense		
Wages and salaries	\$ 2,781,103	\$ 2,653,598
Labour and health insurance fees	110,941	101,830
Pension costs	196,331	181,704
Other personnel expenses	324,254	286,573
Total (shown as 'Operating expenses')	<u>\$ 3,412,629</u>	<u>\$ 3,223,705</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$29,300 and \$31,900, respectively; while directors' and supervisors' remuneration was accrued at \$10,500 and \$12,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2019 and 2018.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2018.

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profit for the year	\$ 777,880	\$ 743,718
Tax on undistributed surplus earnings	63,772	77,023
Prior year income tax overestimation	(15,299)	(1,036)
Total current tax	<u>826,353</u>	<u>819,705</u>
Deferred tax:		
Origination and reversal of temporary differences	(52,092)	37,894
Impact of change in tax rate	-	(14,135)
Effect of exchange rate	<u>3,577</u>	<u>(1,169)</u>
Total deferred tax	<u>(48,515)</u>	<u>22,590</u>
Income tax expense	<u>\$ 777,838</u>	<u>\$ 842,295</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2019	2018
Remeasurements of defined benefit obligations	\$ 2,057	\$ 1,289
Currency translation differences	(13,087)	(3,951)
Impact of change in tax rate	<u>-</u>	<u>2,928</u>
	<u>(\$ 11,030)</u>	<u>\$ 266</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 1,023,150	\$ 1,127,328
Effects from items disallowed by tax regulation	(283,505)	(348,159)
Additional tax on undistributed earnings	63,772	77,023
Prior year income tax overestimation	(15,299)	(1,036)
Effects from Alternative Minimum Tax	-	1,274
Effect from changes in tax regulation	-	(14,135)
Others	(10,280)	-
Income tax expense	<u>\$ 777,838</u>	<u>\$ 842,295</u>

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

	Year ended December 31, 2019				
	January 1	Recognised			December 31
		Recognised in profit or loss	in other comprehensive income	Effect of exchange rate	
-Deferred tax assets:					
Allowance for sales returns and discounts	\$ 299,800	\$ 29,431	\$ -	\$ -	\$ 329,231
Allowance for doubtful accounts	120,674	(32,207)	-	(1,415)	87,052
Reserve for inventory obsolescence and market price decline	193,478	5,513	-	(50)	198,941
Others	<u>46,075</u>	<u>102,329</u>	<u>(10,081)</u>	<u>(787)</u>	<u>137,536</u>
	<u>\$ 660,027</u>	<u>\$ 105,066</u>	<u>(\$ 10,081)</u>	<u>(\$ 2,252)</u>	<u>\$ 752,760</u>
-Deferred tax liabilities:					
Foreign investment income using equity method	(\$ 451,828)	(\$ 66,179)	\$ -	\$ -	(\$ 518,007)
Others	<u>(13,818)</u>	<u>13,205</u>	<u>(949)</u>	<u>-</u>	<u>(1,562)</u>
	<u>(\$ 465,646)</u>	<u>(\$ 52,974)</u>	<u>(\$ 949)</u>	<u>\$ -</u>	<u>(\$ 519,569)</u>

Year ended December 31, 2018					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:					
Allowance for sales returns and discounts	\$ 218,469	\$ 81,331	\$ -	\$ -	\$ 299,800
Allowance for doubtful accounts	113,359	4,268	-	3,047	120,674
Reserve for inventory obsolescence and market price decline	185,703	7,781	-	(6)	193,478
Others	<u>50,371</u>	<u>(4,524)</u>	<u>369</u>	<u>(141)</u>	<u>46,075</u>
	<u>\$ 567,902</u>	<u>\$ 88,856</u>	<u>\$ 369</u>	<u>\$ 2,900</u>	<u>\$ 660,027</u>
-Deferred tax liabilities:					
Foreign investment income using equity method	(\$ 350,908)	(\$ 100,920)	\$ -	\$ -	(\$ 451,828)
Others	<u>(2,016)</u>	<u>(11,695)</u>	<u>(103)</u>	<u>(4)</u>	<u>(13,818)</u>
	<u>(\$ 352,924)</u>	<u>(\$ 112,615)</u>	<u>(\$ 103)</u>	<u>(\$ 4)</u>	<u>(\$ 465,646)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	<u>\$ 16,622</u>	<u>\$ 14,469</u>

E. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences of unrecognised deferred tax liabilities were \$3,773,058 and \$3,640,781, respectively.

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% and the additional applicable income tax rate imposed on unappropriated earnings was reduced from 10% to 5% effective from January 1, 2018. The Group has assessed

the impact of the change in income tax rate.

(31) Earnings per share

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 2,530,940	585,359	\$ 4.32
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,530,940	585,359	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	8,882	21,354	
Employees' compensation	-	871	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,539,822	607,584	\$ 4.18
Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 2,778,229	553,629	\$ 5.02
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,778,229	553,629	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	16,351	38,315	
Employees' compensation	-	831	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,794,580	592,775	\$ 4.71

(32) Business combination

The following business combinations occurred during the years ended December 31, 2019 and 2018:

A. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:

- (a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to \$15,396. The record date of the transfer was July 1, 2019.
- (b) Green Chips Co, Ltd. is a distributor of electronic components with the Korea region as its primary market.
- (c) As of December 31, 2019, actual payment of \$15,396 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.
- (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2019</u>
Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	<u>-</u>
Goodwill	<u>\$ 15,396</u>

As of December 31, 2019, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

B. The Company acquired part of the electronic component distribution business of STC Corporation.

- (a) In June 2018, the Company signed a business transfer agreement with STC Corporation, acquiring part of the company's electronic component distribution business in cash. The record date of the transfer was October 5, 2018.
- (b) If the gross profit exceeds US\$4 million during the period from July 2018 to June 2020, 70% of excess amounts shall be paid in cash as additional consideration as stipulated in a contingent consideration agreement, which were included in considerations payable amounting to \$169,920 (US\$5,500 thousand) under the business transfer agreement. After the Company's assessment, there was no possibility that the specified contingent events may occur based on the cost of distribution business and accordingly, there was no adjustment to the actual consideration paid.
- (c) STC Corporation is a distributor of electronic components with the Korea region as its primary market.
- (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2018</u>
Purchase consideration - cash	\$ 169,290
Less: Fair value of the identifiable net assets	<u>-</u>
Goodwill	<u>\$ 169,290</u>

C. The subsidiary, Morrihan International Corp., acquired a part of the electronic component distribution business of Promate Electronic Co., Ltd. (“Promate Electronic”).

- (a) On October 31, 2017, the Group signed a business transfer agreement with Promate Electronic, acquiring a part of the company’s electronic component distribution business for \$17,500. The record date of the transfer was February 1, 2018.
- (b) Promate Electronic is a distributor of electronic components with the greater China region as its primary market.
- (c) As of December 31, 2018, actual payment of \$22,439 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.
- (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2018</u>
Purchase consideration - cash	\$ 22,439
Less: Fair value of the identifiable net assets	<u>-</u>
Goodwill	<u>\$ 22,439</u>

(33) Operating leases

Prior to 2019

The Group leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expenses of \$282,327 for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 195,184
Later than one year but not later than five years	430,026
Later than five years	<u>155,003</u>
	<u>\$ 780,213</u>

(34) Supplemental cash flow information

Cash paid for property, plant and equipment:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 125,817	\$ 156,880
Add: Opening balance of payable on equipment	13,396	10,216
Ending balance of prepayments for business facilities	1,609	25,899
Less: Ending balance of payable on equipment	(4,879)	(13,396)
Opening balance of prepayments for business facilities	(25,899)	(11,247)
Effect of foreign exchange	(14)	<u>1</u>
Cash paid during the period	<u>\$ 110,030</u>	<u>\$ 168,353</u>

(35) Changes in liabilities from financing activities

	Short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	\$ 27,106,343	\$ 1,828,513	\$ 1,066,748	\$ -	\$ 30,001,604
Changes in cash flow from financing activities	(876,741)	(1,374,671)	1,145,100	(156,509)	(1,262,821)
Impact of changes in foreign exchange rate	(113,534)	-	-	(48,684)	(162,218)
Interest expense from amortisation	-	9,998	8,882	-	18,880
Conversion of convertible bonds	-	-	(1,058,877)	-	(1,058,877)
Issuance of convertible bonds attributable to equity	-	-	(37,762)	-	(37,762)
IFRS 16 conversion recognition	-	-	-	682,856	682,856
Increase in lease liability for the year	-	-	-	94,910	94,910
At December 31, 2019	<u>\$ 26,116,068</u>	<u>\$ 463,840</u>	<u>\$ 1,124,091</u>	<u>\$ 572,573</u>	<u>\$ 28,276,572</u>

	Short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2018	\$ 25,345,092	\$ 1,499,017	\$ 1,216,527	\$ -	\$ 28,060,636
Changes in cash flow from financing activities	1,745,603	318,426	-	-	2,064,029
Impact of changes in foreign exchange rate	15,648	-	-	-	15,648
Interest expense from amortisation	-	11,070	16,351	-	27,421
Conversion of convertible bonds	-	-	(166,130)	-	(166,130)
At December 31, 2018	<u>\$ 27,106,343</u>	<u>\$ 1,828,513</u>	<u>\$ 1,066,748</u>	<u>\$ -</u>	<u>\$ 30,001,604</u>

Note 1: Including long-term loans - current portion

Note 2: Shown as 'long-term liabilities - current portion'

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
JCD Optical Corporation Limited	Indirectly reinvested associate of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company
BRILLNICS (HK) LIMITED	Other related party

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
- Associates	\$ <u>1,662</u>	\$ <u>1,646</u>

The collection terms with related parties were 90 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
- Associates	\$ <u>45,461</u>	\$ <u>-</u>

The credit term to related parties is 90 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

C. Loans to others

Loans to related parties:

(a) Outstanding balance (shown as 'other receivables'):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
- Other related party		
BRILLNICS (HK) LIMITED	\$ <u>150,100</u>	\$ <u>153,575</u>

For the years ended December 31, 2019 and 2018, the interest rate was 2.6% for the abovementioned loans to related parties. Please refer to table 1 for details of loans to subsidiaries.

(b) Interest income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
- Other related party		
BRILLNICS (HK) LIMITED	\$ <u>4,086</u>	\$ <u>315</u>

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 75,756	\$ 86,339
Post-employment benefits	269	713
	<u>\$ 76,025</u>	<u>\$ 87,052</u>

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

Pledged asset	Purpose	Book value	
		December 31, 2019	December 31, 2018
Other current assets:			
Bank deposits	Bank loan	\$ -	\$ 36,244
	Guarantee for customs duties	-	10,756
	Bid bond	<u>2,912</u>	<u>2,979</u>
		<u>\$ 2,912</u>	<u>\$ 49,979</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	December 31, 2019	December 31, 2018
Outstanding letters of credit	<u>\$ 5,887,913</u>	<u>\$ 4,876,723</u>

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	December 31, 2019	December 31, 2018
Customs duties guarantee	<u>\$ 36,000</u>	<u>\$ 86,022</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On February 15, 2020, the Board of Directors resolved the following issues and presented them to be discussed at the shareholder's meeting:

(a) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to choose the most appropriate time for the issuance of the preferred shares through private placement, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

(b) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to decide the most appropriate time for the issuance of the common shares through private placement, which should be processed in one time or several times starting from the date resolved at the shareholders' meeting.

(c) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors, depending on the market situation and the capital needs of the Company, to raise capital by the issuance of common shares through book building, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

The total number of shares mentioned above is limited to 170,000,000 shares with a par value of \$10 (in dollars) per share.

B. On February 15, 2020, the Board of Directors resolved the issuance of employee restricted stocks of 3,000,000 common shares with a par value of \$10 (in dollars) per share, amounting to \$30,000,000. The issuance should be reported to the regulatory authority in one time or several times within a year starting from the date resolved at the shareholders' meeting. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

C. Details of the appropriation of 2019 earnings as resolved by the Board of Directors on February 15, 2020 are provided in Note 6(21).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2019 and 2018, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income (Note 1)	\$ 15,716,615	\$ 7,329,587
Financial assets at amortised cost (Note 2)	<u>34,615,901</u>	<u>34,857,414</u>
	<u>\$ 50,332,516</u>	<u>\$ 42,187,001</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (Note 3)	\$ 26,118	\$ 3,994
Financial liabilities at amortised cost (Note 4)	<u>75,210,425</u>	<u>69,736,721</u>
	<u>\$ 75,236,543</u>	<u>\$ 69,740,715</u>
Lease liability	<u>\$ 572,573</u>	<u>\$ -</u>

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific

areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(14).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(14).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,492,889	30.02	\$ 44,816,528	1%	\$ 448,165
USD:RMB	2,817	6.988	84,566	1%	846
USD:KRW	15,044	1,160.9	451,621	1%	4,516
<u>Non-monetary items</u>					
USD:NTD	14,485	30.02	450,033		
<u>Foreign operations</u>					
USD:NTD	371,464	30.02	11,140,819		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,658,340	30.02	49,783,367	1%	497,834
USD:RMB	55,531	6.988	1,667,041	1%	16,670
USD:KRW	30,354	1,160.9	911,227	1%	9,112

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,164,613	30.715	\$ 35,771,088	1%	\$ 357,711
USD:RMB	1,482	6.854	45,520	1%	455
USD:KRW	17,482	1,121.4	536,960	1%	5,370
<u>Non-monetary items</u>					
USD:NTD	10,888	30.715	334,412		
<u>Foreign operations</u>					
USD:NTD	350,189	30.715	10,745,345		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,178,851	30.715	36,208,408	1%	362,084
USD:RMB	25,113	6.854	771,346	1%	7,713
USD:KRW	25,053	1,121.4	769,503	1%	7,695

- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$73,043 and \$25,435, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2019 and 2018, other components of equity would have increased/decreased by \$6,706 and \$5,458, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$68,774 and \$72,377, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	<u>Notes and accounts receivable</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 38,307,182	\$ 30,510,181
Up to 90 days	6,286,811	5,596,250
91 to 180 days	127,451	130,296
Over 180 days	<u>1,200,262</u>	<u>1,173,614</u>
	<u>\$ 45,921,706</u>	<u>\$ 37,410,341</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Group assesses the expected credit losses of its accounts receivable as follows:
 - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
 - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
 - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.

(iv) As of December 31, 2019 and 2018, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>December 31, 2019</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	96.46%	0.03%	0.07%~30.66%	2.37%~28.83%	
Total book value	<u>\$ 1,164,498</u>	<u>\$ 25,130,125</u>	<u>\$ 17,710,013</u>	<u>\$ 1,917,070</u>	<u>\$ 45,921,706</u>
Loss allowance	<u>\$ 1,123,235</u>	<u>\$ 7,539</u>	<u>\$ 46,626</u>	<u>\$ 78,798</u>	<u>\$ 1,256,198</u>
<u>December 31, 2018</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	90.86%	0.05%	0.03%~17.48%	4.44%~41.41%	
Total book value	<u>\$ 1,241,425</u>	<u>\$ 20,121,594</u>	<u>\$ 14,504,225</u>	<u>\$ 1,543,097</u>	<u>\$ 37,410,341</u>
Loss allowance	<u>\$ 1,127,919</u>	<u>\$ 10,061</u>	<u>\$ 29,506</u>	<u>\$ 115,519</u>	<u>\$ 1,283,005</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
At January 1	\$ 1,283,005	\$ 1,101,896
Adjustments under new standards	-	97,989
Provision for impairment	2,501	59,845
Effect of exchange rate changes	(29,308)	23,275
At December 31	<u>\$ 1,256,198</u>	<u>\$ 1,283,005</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(17)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts,

and expects to readily generate cash inflows for managing liquidity risk.

- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2019

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 161,486	\$ 362,161	\$ 99,893	\$ 623,540
Bonds payable	-	1,158,600	-	1,158,600
	<u>\$ 161,486</u>	<u>\$ 1,520,761</u>	<u>\$ 99,893</u>	<u>\$ 1,782,140</u>

December 31, 2018

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Long-term borrowings	<u>\$ 870,720</u>	<u>\$ 122,860</u>	<u>\$ -</u>	<u>\$ 993,580</u>

Except for the abovementioned, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2019 and 2018, all derivative financial liabilities of the Group are due in one year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. This includes the fair value of all investments in publicly listed companies.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes the fair value of all investments in derivative financial instruments.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(9).
- C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.
- D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:
- (a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 614,602	\$ -	\$ 55,983	\$ 670,585
Accounts receivable that are expected to be factored	-	15,046,030	-	15,046,030
	<u>\$ 614,602</u>	<u>\$15,046,030</u>	<u>\$ 55,983</u>	<u>\$15,716,615</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	\$ -	\$ 26,118	\$ -	\$ 26,118

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 505,969	\$ -	\$ 39,858	\$ 545,827
Accounts receivable that are expected to be factored	<u>-</u>	<u>6,783,760</u>	<u>-</u>	<u>6,783,760</u>
	<u>\$ 505,969</u>	<u>\$ 6,783,760</u>	<u>\$ 39,858</u>	<u>\$ 7,329,587</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 3,994</u>	<u>\$ -</u>	<u>\$ 3,994</u>

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

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

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Equity securities	
	2019	2018
At January 1	\$ 39,858	\$ -
Adjustment on transfer of IFRS 9	-	9,143
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,167)	-
Acquired in the year	20,000	29,105
Sold in the year	(14)	-
Effect of exchange rate changes	(694)	1,610
At December 31	<u>\$ 55,983</u>	<u>\$ 39,858</u>

For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 55,983</u>	Discounted cash flow method	Weighted average cost of capital Long-term revenue growth rate	8.22% ~12.51% 6.1% ~219.3%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of control, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
			Discount for lack of marketability	5%~8%	
			Discount for lack of control	10%	
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 39,858</u>	Latest transaction price without active market	N/A	N/A	N/A

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(14).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2019	2018
Revenue from external customers	\$ 314,746,393	\$ 254,093,172
Segment income	\$ 3,307,785	\$ 3,528,551
Segment assets (Note)	\$ -	\$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

Operating revenue	Years ended December 31,	
	2019	2018
Total reported segment revenue	\$ 314,746,393	\$ 254,093,173
Other operating segment revenue	20,440,758	19,323,312
Total operating revenue	<u>\$ 335,187,151</u>	<u>\$ 273,416,485</u>

Profit and loss	Years ended December 31,	
	2019	2018
Income of reported segment	\$ 3,307,785	\$ 3,528,551
Income of other operating segments	1,300	92,259
Income before income tax from continuing operations	<u>\$ 3,309,085</u>	<u>\$ 3,620,810</u>

(4) Revenue information by category

	2019		2018	
	Amount	%	Amount	%
Analog IC	\$ 147,114,736	44	\$ 116,014,167	42
Application-Specific IC	25,690,676	8	22,263,146	8
IC Memory	22,462,363	7	22,241,044	8
Microcontroller Unit	15,639,322	5	11,592,734	5
Discrete Devices	15,482,514	5	15,942,063	6
Chipset	14,396,743	4	14,649,833	5
Others	94,400,797	27	70,713,498	26
	<u>\$ 335,187,151</u>	<u>100</u>	<u>\$ 273,416,485</u>	<u>100</u>

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2019 and 2018 were as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 53,772,373	\$ 2,373,684	\$ 43,657,362	\$ 1,995,490
China	246,354,535	981,869	199,202,138	468,114
Others	35,060,243	558,475	30,556,985	518,776
	<u>\$ 335,187,151</u>	<u>\$ 3,914,028</u>	<u>\$ 273,416,485</u>	<u>\$ 2,982,380</u>

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,	
	2019	2018
Customer A	<u>\$ 44,784,697</u>	<u>\$ 30,098,836</u>

WT Microelectronics Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor		Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
														Item	Value			
0	WT MICROELECTRONICS LTD.	CO.,	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 920,620	\$ 859,240	\$ -	1.20%	Short-term financing	-	Business Operation	\$ -	-	\$ -	\$ 2,347,839	\$ 9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	MAXTEK TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	HONGTECH ELECTRONICS CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	LACEWOOD INTERNATIONAL CORP.	Other receivables - related parties	Y	316,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED		WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	63,200	60,040	60,040	3.00%	Short-term financing	-	Business Operation	-	-	-	108,673	108,673	Note 2
2	WINTech MICROELECTRONICS HOLDING LIMITED		BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	305,000	150,100	150,100	2.60%	Short-term financing	-	Business Operation	-	-	-	2,786,834	3,715,778	Note 4
2	WINTech MICROELECTRONICS HOLDING LIMITED		WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,011,200	990,660	622,315	2.7%~3%	Short-term financing	-	Business Operation	-	-	-	9,289,446	9,289,446	Note 2
3	BSI SEMICONDUCTOR PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	304,483	291,194	291,194	1.9%~2.55%	Short-term financing	-	Business Operation	-	-	-	510,945	510,945	Note 2
4	MSD HOLDING PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	88,480	84,056	84,056	2.60%	Short-term financing	-	Business Operation	-	-	-	91,670	91,670	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding	Outstanding	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantees amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
					endorsement / guarantee amount as of December 31, 2019	endorsement / guarantee amount at December 31, 2019								
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 18,782,715	\$ 350,000	\$ 350,000	\$ 350,000	-	1.49%	\$ 18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	18,782,715	262,000	12,000	-	-	0.05%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	18,782,715	158,000	150,100	32,996	-	0.64%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	18,782,715	632,000	600,400	-	-	2.56%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	18,782,715	2,212,000	2,101,400	1,200,800	-	8.95%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	18,782,715	66,360	63,042	40,268	-	0.27%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	18,782,715	1,580	1,501	127	-	0.01%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	18,782,715	316,000	300,200	-	-	1.28%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	18,782,715	252,800	240,160	-	-	1.02%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	18,782,715	3,767,391	3,767,391	1,878,340	-	16.05%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	18,782,715	1,591,254	1,457,572	515,544	-	6.21%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	18,782,715	189,600	180,120	156,775	-	0.77%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	18,782,715	1,422,000	1,350,900	1,323,518	-	5.75%	18,782,715	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,078,298	10,000	2,000	2,000	-	0.15%	1,078,298	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,941,797	15,000	15,000	15,000	-	0.41%	2,941,797	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	867,298	82,478	-	-	-	0.00%	867,298	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,237,454	313,800	-	-	-	0.00%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,237,454	214,800	150,100	-	-	9.70%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,237,454	9,500	9,500	9,500	-	0.61%	1,237,454	N	N	N	Note 4
5	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	213,735	9,500	9,500	9,500	-	3.56%	213,735	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2019				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.26	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.70	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	20,000	9.62	20,000	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	19,533	0.42	19,533	
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	222,664	404,806	0.66	404,806	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	30,020	0.79	30,020	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	50,122	2.30	50,122	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	111,578	1.79	111,578	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	28,563	0.46	28,563	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current

WT Microelectronics Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NTS100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,065,305	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 8,054,975	26	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	20,690,270	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,077,588	10	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,620,566	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	530,071	2	
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	8,088,993	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	371,743	1	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	6,901,770	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,201,400	7	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	4,819,787	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	346,267	1	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	3,284,388	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,451	2	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	560,316	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	558,299	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	249,013	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,465	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	172,345	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,129,261	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,662,027	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(300,845)	1	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,233,157	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(224,533)	1	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,103,568	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(319,939)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 2,093,552	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 135,534	6
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,835,287	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	502,711	23
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,067,979	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	345,476	16
NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	149,134	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	74,131	3
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	5,477,930	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,569,326	19
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	2,884,842	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,095	7
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	255,557	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	96,910	1
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	177,045	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,957	1
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	126,174	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	53,268	1
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	122,443	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	438,541	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,273	5
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	160,637	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	34,269	3
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	759,104	7	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	47,938	3
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	379,276	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	246,934	17
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,059,138	31	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,555	1
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	138,716	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	\$ 6,425,892	74	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 1,583,873	98	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,287,061	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	35,641	2	
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	205,775	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	169,159	35	

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 8,054,975	11.35	\$ -		\$ 4,935,912	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	3,077,588	10.46	-		3,077,588	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,201,400	4.61	-		1,840,442	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	564,451	6.76	465,955	Subsequent collection	38,035	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	530,071	32.53	-		530,071	-
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	371,743	43.52	-		371,743	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	346,267	7.75	-		346,267	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	502,711	5.96	-		324,694	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	345,476	3.08	-		14	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	300,845	9.97	-		187,274	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	135,534	8.64	-		135,534	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,569,326	3.56	-		674,110	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	564,095	8.89	-		341,290	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	224,533	8.43	2,384	Subsequent collection	16,164	-
MAXTEK TECHNOLOGY CO., LTD.	WT MICROELECTRONICS CO., LTD.	Affiliates	319,939	6.90	-		91,865	-
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	246,934	3.05	-		-	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,583,873	5.43	-		635,949	-
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	169,159	2.43	264	Subsequent collection	-	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	\$ 83,065,305	(Note 3)	25
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	8,054,975	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Sales	20,690,270	(Note 3)	6
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Accounts receivable	3,077,588	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	8,620,566	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Accounts receivable	530,071	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	8,088,993	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Accounts receivable	371,743	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	6,901,770	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	2,201,400	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	4,819,787	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	346,267	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	1	Sales	3,284,388	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	1	Accounts receivable	564,451	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	560,316	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	558,299	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	1	Sales	249,013	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Sales	172,345	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	5,129,261	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	2,662,027	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	300,845	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	1,233,157	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Accounts payable	224,533	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Purchases	1,103,568	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Accounts payable	319,939	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	2,093,552	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	135,534	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	1,835,287	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Accounts receivable	502,711	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	1,067,979	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	345,476	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	149,134	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	5,477,930	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,569,326	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	2,884,842	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Accounts receivable	564,095	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	255,557	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	177,045	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	3	Sales	126,174	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	3	Sales	122,443	(Note 3)	-

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
3	TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	3	Sales	\$ 438,541	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	160,637	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	759,104	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Sales	379,276	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	246,934	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	1,059,138	(Note 3)	-
6	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	3	Sales	138,716	(Note 3)	-
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	6,425,892	(Note 3)	2
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	1,583,873	(Note 3)	2
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	2,287,061	(Note 3)	1
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Sales	205,775	(Note 3)	-
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	169,159	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,242,563	\$ 499,085	\$ 499,085	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,917,116	148,412	148,412	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,677,188	490,769	490,769	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	740,094	15,714	15,714	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	823,012	340,734	340,428	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	41,856	41,856	500,000	100.00	10,406	902	902	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	66,488	1,145	1,145	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	(1)	(1)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	219,997	667	667	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,793,119	206,002	206,002	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,871,222	1,871,222	62,332,506	100.00	3,532,144	401,529	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	631,049	631,049	21,020,957	100.00	1,116,303	132,088	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	90,063	90,063	3,000,100	100.00	74,955	(7,471)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	150	150	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WINTech MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 150,100	\$ 150,100	5,000,000	100.00	\$ 2,134,983	\$ 134	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	71,265	71,265	5,869,093	23.07	62,571	(88,627)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	549,726	549,726	14,917,000	47.98	-	(178,675)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,024	36,024	1,200,000	17.65	29,276	(4,611)	Note 1	Associates
WINTech MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,020	30,020	18,924	24.65	30,077	(2,602)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	376,080	376,080	12,527,632	100.00	1,914,911	198,032	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,336	9,336	311,000	100.00	35,897	619	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	689,692	689,692	22,974,430	100.00	708,513	3,478	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,855	3,855	1,000,000	100.00	108,673	1,894	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	796,234	796,234	110,000,000	100.00	764,137	197,522	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,375	33,375	1,500,000	100.00	273,609	40,997	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,652	3,652	500,000	100.00	3,709	(18)	Note 1	Subsidiary
WINTech INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	546,571	546,571	3,800,000	95.47	838,189	94,469	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	\$ 3,003	\$ 3,003	300,000	100.00	\$ 3,141	(\$ 774)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	3,007	-	700,000	100.00	3,151	147	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	499,085	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	9,973	(27)	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,798	184	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	52,071	52,071	180,472	4.53	27,993	94,469	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	23,544	23,544	53,505	100.00	183,372	8,848	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	249,236	42,351	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,473	364	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	267,169	68,672	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	559,417	4,609	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	19,954	69,840	6,000	100.00	20,359	(122)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	40,000	40,000	4,000,000	40.00	34,934	(12,674)	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,130	23,130	6,000,000	100.00	17,900	(146)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019		Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investment in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				Remitted to Mainland China	Remitted back to Taiwan									
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 9,006	2	\$ 9,006	\$ -	\$ -	\$ 9,006	\$ 630	100.00	\$ 630	\$ 35,818	\$ -	Note 5	
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	686,190	2	631,240	-	-	631,240	3,478	100.00	3,478	708,407	-	Note 6	
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,055,203	2	574,883	-	-	574,883	35,154	100.00	35,154	1,084,123	-	Note 7	
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	39,927	3	30,020	-	-	30,020	184	100.00	184	44,798	-	Note 4	
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	123,082	2	19,934	-	-	19,934	(73,395)	23.07	(16,932)	41,390	-	Note 8	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA											
WT MICROELECTRONICS CO., LTD.	\$ 1,265,083	\$ 1,979,953	\$ 14,087,482											

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTech MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

E. Financial statements of the parent company for the most recent year audited by the CPA

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of WT Microelectronics Co., Ltd. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters for the parent company only financial statements of the current period are stated as follows:

Recognition of supplier rebates

Description

Refer to Note 4(11) for accounting policies on supplier rebates.

The Company is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Company has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. The Company calculates the amount of supplier rebates in accordance with the arrangement, and recognises it as a deduction of accounts payable to suppliers, and also a deduction of cost of sales or inventory depending on whether the inventories have been sold. The Company pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Company relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the parent company only financial statements, and requires more audit effort to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Performed trend analysis on the ratio of supplier rebates to corresponding transaction amount;
- C. Sampled supplier rebates and tested whether the transaction quantities which were used in the calculation were consistent with its original transaction data, and obtained arrangements and calculation worksheets to ensure that the rebate recognition was consistent with the arrangements;
- D. Sampled the supplier rebates which were recognised before balance sheet date but have not yet been

confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed that there was no material differences; and

- E. Performed confirmation of selected material accounts payable, examined whether there is a significant difference between the amount of supplier rebates recognised based on the arrangements and the amount indicated in the suppliers' confirmation, and investigated the differences, if any.

Impairment assessment of investments accounted for using equity method and goodwill

Description

Refer to Notes 4(12) and 4(17) for accounting policies on investments accounted for using equity method and goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Notes 6(6) and 6(9) for details of investments accounted for using equity method and goodwill impairment.

The Company and its subsidiaries (the "Group") acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Investments accounted for using equity method" and "Intangible assets - goodwill".

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group used the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assessed whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount of investments accounted for using equity method and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the consistency of smallest cash generating unit which was identified by management and used in goodwill allocation, and the lowest level at which management monitored the goodwill;
- B. Assessed management's assessment process of each cash generating unit and determined whether the future cash flows used in valuation model for the next 5 years are consistent with the operating plan which was approved by the Board of Directors;
- C. As the recoverable amount was determined based on value-in-use, ascertained reasonableness of each estimated growth rate, discount rate and other significant assumptions and performed the following:
 - (a) Compared the reasonableness of estimated growth rate with historical data, economic and external industry forecast information;
 - (b) Compared discount rate assumptions with respect to cash generating units' capital cost and similar return on assets; and
 - (c) Checked the parameters of valuation model and the setting of calculation formula.
- D. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(5) for details of inventory valuation. As at December 31, 2019, the Company's inventories and allowances for inventory valuation losses were NT\$34,094,862 thousand and NT\$691,360 thousand, respectively.

The Company is primarily engaged in sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. For aged inventories and individually determined as obsolete inventories, the net realisable value is determined based on historical experience of inventory usage and sales discount. Since the amount of inventory is material, inventory types are various, sources of information in

calculating the net realisable value of each type of inventories are many, and the identification of obsolete and damaged inventory and its net realisable value are subject to management's judgement, we consider the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Company's nature of business and industry and assessed whether the provision policies and procedures were applied reasonably and consistently in all the periods; and
- C. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, and tested relevant parameters, including the original data for sales and purchases and obtained supporting documents.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

- A. 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.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the parent company only 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 15, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WT MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 490,983	-	\$ 361,779	1
1170	Accounts receivable, net	6(3)	15,198,835	18	12,348,685	16
1180	Accounts receivable, net - related parties	7	15,161,405	18	9,658,282	12
1200	Other receivables	6(3)(4)	579,829	1	814,646	1
1210	Other receivables - related parties	7	2,073	-	740,199	1
130X	Inventories	6(5)	33,403,502	39	33,766,761	43
1410	Prepayments		211,848	-	211,472	-
11XX	Total current assets		<u>65,048,475</u>	<u>76</u>	<u>57,901,824</u>	<u>74</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	28,994	-	12,175	-
1550	Investments accounted for using equity method	6(6)	18,534,802	22	18,773,483	24
1600	Property, plant and equipment	6(7)	487,709	1	473,628	1
1755	Right-of-use assets	6(8)	278,288	-	-	-
1780	Intangible assets	6(9)	254,427	-	228,117	-
1840	Deferred income tax assets	6(27)	431,904	1	408,584	1
1900	Other non-current assets		96,394	-	117,260	-
15XX	Total non-current assets		<u>20,112,518</u>	<u>24</u>	<u>20,013,247</u>	<u>26</u>
1XXX	Total assets		<u>\$ 85,160,993</u>	<u>100</u>	<u>\$ 77,915,071</u>	<u>100</u>

(Continued)

WT MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 18,348,337	22	\$ 16,486,561	21
2110	Short-term notes and bills payable	6(11)	398,953	1	1,348,885	2
2120	Financial liabilities at fair value	6(12)				
	through profit or loss - current		25,841	-	3,537	-
2130	Contract liabilities - current	6(21) and 7	92,506	-	2,145,327	3
2170	Accounts payable		38,162,139	45	31,458,629	40
2180	Accounts payable - related parties	7	858,561	1	313,360	-
2200	Other payables	6(13)	1,158,740	1	1,091,287	1
2220	Other payables - related parties	7	6,136	-	3,871	-
2230	Current income tax liabilities		288,187	-	287,843	-
2280	Lease liabilities - current		86,764	-	-	-
2320	Long-term liabilities, current portion	6(14)(15)	120,080	-	1,937,468	3
2365	Refund liabilities - current	6(21)	368,473	-	519,642	1
2399	Other current liabilities		6,087	-	5,126	-
21XX	Total current liabilities		<u>59,920,804</u>	<u>70</u>	<u>55,601,536</u>	<u>71</u>
Non-current liabilities						
2530	Bonds payable	6(14)	1,124,091	1	-	-
2540	Long-term loans	6(15)	-	-	122,860	-
2570	Deferred income tax liabilities	6(27)	418,929	1	368,005	1
2580	Lease liabilities - non-current		194,466	-	-	-
2600	Other non-current liabilities	6(16)	24,309	-	15,794	-
25XX	Total non-current liabilities		<u>1,761,795</u>	<u>2</u>	<u>506,659</u>	<u>1</u>
2XXX	Total liabilities		<u>61,682,599</u>	<u>72</u>	<u>56,108,195</u>	<u>72</u>
Equity						
Share capital						
		6(17)				
3110	Share capital - common stock		5,903,358	7	5,551,889	7
3130	Certificates of entitlement to new shares from convertible bonds		11,011	-	24,217	-
Capital surplus						
		6(18)				
3200	Capital surplus		9,531,836	11	8,773,382	11
Retained earnings						
		6(19)				
3310	Legal reserve		2,019,788	2	1,741,965	2
3320	Special reserve		143,568	-	109,102	-
3350	Unappropriated retained earnings		6,659,975	8	5,749,889	8
Other equity interest						
		6(20)				
3400	Other equity interest		(791,142)	-	(143,568)	-
3XXX	Total equity		<u>23,478,394</u>	<u>28</u>	<u>21,806,876</u>	<u>28</u>
Commitments and contingent liabilities						
		9				
Significant subsequent events						
		11				
3X2X	Total liabilities and equity		<u>\$ 85,160,993</u>	<u>100</u>	<u>\$ 77,915,071</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

WT MICROELECTRONICS CO., LTD.
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)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(21) and 7	\$ 273,996,730	100	\$ 213,640,619	100
5000	Operating costs	6(5) and 7	(269,252,304)	(98)	(209,128,174)	(98)
5900	Net operating margin		<u>4,744,426</u>	<u>2</u>	<u>4,512,445</u>	<u>2</u>
	Operating expenses	6(25) and 7				
6100	Selling expenses		(1,691,857)	(1)	(1,586,704)	(1)
6200	General and administrative expenses		(486,028)	-	(448,318)	-
6300	Research and development expenses		(228,388)	-	(199,519)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(29,719)	-	(5,387)	-
6000	Total operating expenses		<u>(2,435,992)</u>	<u>(1)</u>	<u>(2,239,928)</u>	<u>(1)</u>
6900	Operating profit		<u>2,308,434</u>	<u>1</u>	<u>2,272,517</u>	<u>1</u>
	Non-operating income and expenses					
7010	Other income	6(22)	13,163	-	17,579	-
7020	Other gains and losses	6(23)	117,708	-	35,478	-
7050	Finance costs	6(24)	(1,260,032)	(1)	(1,011,645)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method		<u>1,703,123</u>	<u>1</u>	<u>1,831,184</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>573,962</u>	<u>-</u>	<u>872,596</u>	<u>-</u>
7900	Profit before income tax		<u>2,882,396</u>	<u>1</u>	<u>3,145,113</u>	<u>1</u>
7950	Income tax expense	6(27)	(351,456)	-	(366,884)	-
8200	Profit for the year		<u>\$ 2,530,940</u>	<u>1</u>	<u>\$ 2,778,229</u>	<u>1</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	(\$ 9,881)	-	(\$ 2,291)	-
8316	Unrealised loss on valuation of equity instruments measured at fair value through other comprehensive income	6(20)	(3,167)	-	-	-
8330	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(28)	210,594	-	(320,963)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	<u>1,976</u>	<u>-</u>	<u>1,297</u>	<u>-</u>
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>199,522</u>	<u>-</u>	<u>(321,957)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(501,673)	-	569,283	-
8380	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using equity method	6(28)	(266,021)	-	13,669	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(767,694)</u>	<u>-</u>	<u>582,952</u>	<u>-</u>
8300	Total other comprehensive (loss) income for the year		<u>(\$ 568,172)</u>	<u>-</u>	<u>\$ 260,995</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 1,962,768</u>	<u>1</u>	<u>\$ 3,039,224</u>	<u>1</u>
	Earnings per share (in dollars)	6(29)				
9750	Basic earnings per share		\$ 4.32		\$ 5.02	
9850	Diluted earnings per share		\$ 4.18		\$ 4.71	

The accompanying notes are an integral part of these parent company only financial statements.

WT MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share Capital			Retained Earnings			Other Equity Interest			Total equity
		Share capital - common stock	Certificates of bond-to-stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	
<u>2018</u>											
Balance at January 1, 2018		\$ 5,522,227	\$ 392	\$ 8,660,739	\$ 1,489,975	\$ -	\$ 4,516,703	(\$ 975,052)	\$ -	\$ 865,950	\$ 20,080,934
Effects of retrospective application		-	-	-	-	-	(75,668)	-	843,629	(865,950)	(97,989)
Adjusted balance at January 1, 2018		<u>5,522,227</u>	<u>392</u>	<u>8,660,739</u>	<u>1,489,975</u>	<u>-</u>	<u>4,441,035</u>	<u>(975,052)</u>	<u>843,629</u>	<u>-</u>	<u>19,982,945</u>
Profit for the year		-	-	-	-	-	2,778,229	-	-	-	2,778,229
Other comprehensive income (loss)	6(20)	-	-	-	-	-	(4,785)	582,952	(317,172)	-	260,995
Total comprehensive income (loss)		-	-	-	-	-	2,773,444	582,952	(317,172)	-	3,039,224
Appropriations of 2017 earnings:	6(19)										
Legal reserve		-	-	-	251,990	-	(251,990)	-	-	-	-
Special reserve		-	-	-	-	109,102	(109,102)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,381,423)	-	-	-	(1,381,423)
Conversion of convertible bonds	6(17)(18)	29,662	23,825	112,643	-	-	-	-	-	-	166,130
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	277,925	-	(277,925)	-	-
Balance at December 31, 2018		<u>\$ 5,551,889</u>	<u>\$ 24,217</u>	<u>\$ 8,773,382</u>	<u>\$ 1,741,965</u>	<u>\$ 109,102</u>	<u>\$ 5,749,889</u>	<u>(\$ 392,100)</u>	<u>\$ 248,532</u>	<u>\$ -</u>	<u>\$ 21,806,876</u>
<u>2019</u>											
Balance at January 1, 2019		\$ 5,551,889	\$ 24,217	\$ 8,773,382	\$ 1,741,965	\$ 109,102	\$ 5,749,889	(\$ 392,100)	\$ 248,532	\$ -	\$ 21,806,876
Profit for the year		-	-	-	-	-	2,530,940	-	-	-	2,530,940
Other comprehensive income (loss)	6(20)	-	-	-	-	-	(8,229)	(767,694)	207,751	-	(568,172)
Total comprehensive income (loss)		-	-	-	-	-	2,522,711	(767,694)	207,751	-	1,962,768
Appropriations of 2018 earnings:	6(19)										
Legal reserve		-	-	-	277,823	-	(277,823)	-	-	-	-
Special reserve		-	-	-	-	34,466	(34,466)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,387,967)	-	-	-	(1,387,967)
Due to recognition of equity component of convertible bonds issued	6(18)	-	-	37,762	-	-	-	-	-	-	37,762
Conversion of convertible bonds	6(17)(18)	351,469	(13,206)	720,614	-	-	-	-	-	-	1,058,877
Disposal of financial assets at fair value through other comprehensive income	6(20)	-	-	-	-	-	87,631	-	(87,631)	-	-
Changes in ownership interests in subsidiaries	6(18)	-	-	78	-	-	-	-	-	-	78
Balance at December 31, 2019		<u>\$ 5,903,358</u>	<u>\$ 11,011</u>	<u>\$ 9,531,836</u>	<u>\$ 2,019,788</u>	<u>\$ 143,568</u>	<u>\$ 6,659,975</u>	<u>(\$ 1,159,794)</u>	<u>\$ 368,652</u>	<u>\$ -</u>	<u>\$ 23,478,394</u>

The accompanying notes are an integral part of these parent company only financial statements.

WT MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,882,396	\$ 3,145,113
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(25)	173,891	47,630
Amortization	6(25)	8,860	5,773
Impairment loss determined in accordance with IFRS 9	12(2)	29,719	5,387
Impairment loss	6(23)	3,811	-
Net loss (income) on financial liabilities at fair value through profit or loss	6(23)	10,406	(73,458)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(1,703,123)	(1,831,184)
Interest expense	6(24)	725,928	492,004
Interest income	6(22)	(8,581)	(14,737)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(2,998,819)	(2,323,463)
Accounts receivable - related parties		(5,503,122)	(5,376,522)
Other receivables		251,140	(220,293)
Inventories		363,259	(12,509,457)
Prepayments		(376)	(82,648)
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss		11,898	69,218
Contract liabilities		(2,052,821)	1,728,700
Accounts payable		6,703,510	15,360,785
Accounts payable - related parties		545,201	(1,156,036)
Other payables		270,712	371,784
Other current liabilities		(190,348)	(17,508)
Accrued pension liabilities		(1,366)	(1,188)
Cash outflow generated from operations		(477,825)	(2,380,100)
Interest received		8,581	14,737
Dividends received		1,730,549	975,455
Interest paid		(723,498)	(451,555)
Income taxes paid		(321,532)	(343,105)
Net cash flows from (used in) operating activities		<u>216,275</u>	<u>(2,184,568)</u>

(Continued)

WT MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other receivables - related parties	7	\$ 721,803	(\$ 721,803)
Acquisition of financial assets at fair value through other comprehensive income		(20,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	14	-
Acquisition of property, plant and equipment	6(32)	(77,866)	(92,578)
Acquisition of intangible assets	6(9)	(23,585)	(3,262)
Net cash payments for business combination	6(30)	(15,396)	(169,290)
Increase in other non-current assets		(11,353)	(34,504)
Net cash flows from (used in) investing activities		573,617	(1,021,437)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(33)	1,861,776	4,784,570
(Decrease) increase in short-term notes and bills payable	6(33)	(957,983)	191,630
Repayments of long-term loans	6(33)	(873,500)	(738,540)
Proceeds from issuing bonds	6(14)(33)	1,195,000	-
Repayments of bonds	6(14)(33)	(49,900)	-
Payment of lease liabilities	6(33)	(102,347)	-
Cash dividends paid	6(19)	(1,387,967)	(1,381,423)
Net cash flows (used in) from financing activities		(314,921)	2,856,237
Effect of exchange rate changes		(345,767)	312,664
Net increase (decrease) in cash and cash equivalents		129,204	(37,104)
Cash and cash equivalents at beginning of year		361,779	398,883
Cash and cash equivalents at end of year		\$ 490,983	\$ 361,779

The accompanying notes are an integral part of these parent company only financial statements.

WT MICROELECTRONICS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 15, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$355,564 and increased ‘lease liability’ by \$355,564 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period is less than one year and will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$2,662 was recognized for the year ended December 31, 2019.
 - (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.2% to 4.35%.
- E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 376,986
Less: Short-term leases	(3,902)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	373,084
Incremental borrowing interest rate at the date of initial application	<u>1.2%~4.35%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 355,564</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

- A. The parent company only financial statements are presented in NT dollars, which is the Company’s functional and presentation currency.
- B. Foreign currency transactions and balances
- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
 - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
 - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - (d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

C. Translation of foreign operations

- (a) The operating results and financial position of all the consolidated entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

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

C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Company has not retained control of the financial asset.

(11) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or

exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.

- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the

relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. Pursuant to the “Rules Governing the Preparation of Financial Statements by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

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

Buildings and structures	26 ~ 55 years
Office equipment	2 ~ 5 years
Other assets	2 ~ 10 years

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

(15) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

(17) Impairment of non-financial assets

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

following years.

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

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

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

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(24) Revenue recognition

- A. The Company sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(25) Business combinations

- A. The Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests

should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The related information is addressed below:

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

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the goods or services before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Company has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and

liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(9) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 751	\$ 4,872
Checking accounts and demand deposits	<u>490,232</u>	<u>356,907</u>
	<u>\$ 490,983</u>	<u>\$ 361,779</u>

The Company transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Equity instruments	<u>\$ 28,994</u>	<u>\$ 12,175</u>

A. The Company has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. Due to the liquidation of investees, the Company sold \$14 of unlisted shares at fair value which resulted in a cumulative gain of \$14 on disposal during the year ended December 31, 2019.

C. Please refer to Note 6(20) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2019 and 2018. There were no dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held for the years ended December 31, 2019 and 2018.

D. The Company has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2019 and 2018.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 167,864	\$ 250,613
Accounts receivable	15,226,323	12,295,924
Less: Allowance for uncollectible accounts	(195,352)	(197,852)
Notes and accounts receivable, net	<u>15,198,835</u>	<u>12,348,685</u>
Overdue receivables	80,857	48,638
Less: Allowance for uncollectible accounts	(80,857)	(48,638)
Overdue receivables, net (shown as ‘other non-current assets’)	<u>-</u>	<u>-</u>
	<u>\$ 15,198,835</u>	<u>\$ 12,348,685</u>

A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$9,747,544.

B. Transferred financial assets that are derecognised in their entirety

The Company entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable transferred		
(Amount derecognised)	<u>\$ 21,994,596</u>	<u>\$ 28,486,250</u>
Amount advanced	<u>\$ 21,567,343</u>	<u>\$ 27,791,275</u>
Amount retained	<u>\$ 427,253</u>	<u>\$ 694,975</u>

(a) The above amounts retained are shown as ‘other receivables’. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(b) As of December 31, 2019 and 2018, the interest rates for amounts advanced ranged between 1.20%~3.30% and 2.448%~4.02%, respectively.

(c) As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring were \$59,801,140 and \$48,368,322, respectively.

(d) As of December 31, 2019 and 2018, the Company has issued a promissory note of \$76,582,324 and \$56,328,114, respectively, as performance guarantee against any business dispute.

(e) Please refer to Note 6(24) for information on financing charges on accounts receivable factoring for the years ended December 31, 2019 and 2018.

C. Transferred financial assets that are not derecognised in their entirety

The Company entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Company can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Company will retain risk and returns of such accounts receivable. Accordingly, the Company did not derecognise the accounts receivable where the bank has the right of recourse.

As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring agreement with recourse were \$750,500 and \$0, respectively. The Company has no accounts receivable that are financed and amount advanced.

D. The Company took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. The Company does not hold any collateral as security.

F. As of December 31, 2019 and 2018, the Company's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$4,302,425 and \$3,032,251, respectively, and recorded as 'accounts receivable'.

G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Other receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Amounts retained for accounts receivable factoring	\$ 427,253	\$ 694,975
VAT refund receivables	114,681	97,558
Others	<u>37,895</u>	<u>22,113</u>
	<u>\$ 579,829</u>	<u>\$ 814,646</u>

(5) Inventories

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Merchandise inventory	\$ 34,094,862	\$ 34,445,437
Less: Allowance for inventory obsolescence and market value decline	<u>(691,360)</u>	<u>(678,676)</u>
	<u>\$ 33,403,502</u>	<u>\$ 33,766,761</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 269,227,115	\$ 209,135,073
Loss on (gain on reversal of) decline in market value	24,958 (180,477)
Loss (gain) on physical inventory	231 (43)
Loss on disposal of inventory	-	173,621
	<u>\$ 269,252,304</u>	<u>\$ 209,128,174</u>

The Company reversed a previous inventory write-down as certain inventory which were previously provided with allowance were subsequently disposed during the year ended December 31, 2018.

(6) Investments accounted for using equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries:		
Wintech Microelectronics Holding Limited	\$ 9,242,563	\$ 8,815,533
Morrihan International Corp.	3,677,188	3,737,104
Techmosa International Inc.	1,917,116	2,080,880
Maxtek Technology Co., Ltd.	1,793,119	2,259,315
Nuvision Technology Inc.	823,012	790,392
BSI Semiconductor Pte. Ltd.	740,094	747,806
MSD Holdings Pte. Ltd.	219,997	223,531
Milestone Investment Co.,Ltd.	66,488	64,676
Sinyie Investment Co.,Ltd.	44,819	44,820
AboveE Technology Inc.	10,406	9,426
	<u>\$ 18,534,802</u>	<u>\$ 18,773,483</u>

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2019 for the information regarding the Company's subsidiaries.

B. For the years ended December 31, 2019 and 2018, the Company received cash dividends arising from investments accounted for using equity method amounting to \$1,730,549 and \$975,455, respectively.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 217,449	\$ 231,203	\$ 153,958	\$ 828,069
Accumulated depreciation and impairment	<u>-</u>	<u>(88,572)</u>	<u>(153,794)</u>	<u>(112,075)</u>	<u>(354,441)</u>
	<u>\$ 225,459</u>	<u>\$ 128,877</u>	<u>\$ 77,409</u>	<u>\$ 41,883</u>	<u>\$ 473,628</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 128,877	\$ 77,409	\$ 41,883	\$ 473,628
Additions	-	-	24,960	57,723	82,683
Depreciation charge	<u>-</u>	<u>(6,656)</u>	<u>(33,070)</u>	<u>(28,876)</u>	<u>(68,602)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 122,221</u>	<u>\$ 69,299</u>	<u>\$ 70,730</u>	<u>\$ 487,709</u>
<u>At December 31, 2019</u>					
Cost	\$ 225,459	\$ 217,449	\$ 249,608	\$ 208,259	\$ 900,775
Accumulated depreciation and impairment	<u>-</u>	<u>(95,228)</u>	<u>(180,309)</u>	<u>(137,529)</u>	<u>(413,066)</u>
	<u>\$ 225,459</u>	<u>\$ 122,221</u>	<u>\$ 69,299</u>	<u>\$ 70,730</u>	<u>\$ 487,709</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>					
Cost	\$ 225,459	\$ 217,449	\$ 227,930	\$ 119,009	\$ 789,847
Accumulated depreciation and impairment	<u>-</u>	<u>(81,916)</u>	<u>(169,255)</u>	<u>(109,996)</u>	<u>(361,167)</u>
	<u>\$ 225,459</u>	<u>\$ 135,533</u>	<u>\$ 58,675</u>	<u>\$ 9,013</u>	<u>\$ 428,680</u>
<u>2018</u>					
Opening net book amount	\$ 225,459	\$ 135,533	\$ 58,675	\$ 9,013	\$ 428,680
Additions	-	-	47,163	45,415	92,578
Depreciation charge	<u>-</u>	<u>(6,656)</u>	<u>(28,429)</u>	<u>(12,545)</u>	<u>(47,630)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 128,877</u>	<u>\$ 77,409</u>	<u>\$ 41,883</u>	<u>\$ 473,628</u>
<u>At December 31, 2018</u>					
Cost	\$ 225,459	\$ 217,449	\$ 231,203	\$ 153,958	\$ 828,069
Accumulated depreciation and impairment	<u>-</u>	<u>(88,572)</u>	<u>(153,794)</u>	<u>(112,075)</u>	<u>(354,441)</u>
	<u>\$ 225,459</u>	<u>\$ 128,877</u>	<u>\$ 77,409</u>	<u>\$ 41,883</u>	<u>\$ 473,628</u>

Office and other equipments at December 31, 2019 and 2018 were for the Company's own use and not for lease.

(8) Leasing arrangements - lessee

Effective 2019

A. The Company leases various assets including land, office and warehouse. The rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>Year ended December 31, 2019</u>	
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings and structures	<u>\$ 278,288</u>	<u>\$ 105,289</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets was \$28,013.

D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Year ended</u>
	<u>December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 7,111
Expense on short-term lease contracts	56,752

E. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$166,210.

(9) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 377,422	\$ 68,240	\$ 445,662
Accumulated amortisation and impairment	(158,309)	(59,236)	(217,545)
	<u>\$ 219,113</u>	<u>\$ 9,004</u>	<u>\$ 228,117</u>
<u>2019</u>			
Opening net book amount	\$ 219,113	\$ 9,004	\$ 228,117
Additions	15,396	23,585	38,981
Amortisation charge (shown as 'general and administrative expenses')	-	(8,860)	(8,860)
Impairment loss	(3,811)	-	(3,811)
Closing net book amount	<u>\$ 230,698</u>	<u>\$ 23,729</u>	<u>\$ 254,427</u>
<u>At December 31, 2019</u>			
Cost	\$ 392,818	\$ 91,825	\$ 484,643
Accumulated amortisation and impairment	(162,120)	(68,096)	(230,216)
	<u>\$ 230,698</u>	<u>\$ 23,729</u>	<u>\$ 254,427</u>

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 208,132	\$ 64,976	\$ 273,108
Accumulated amortisation and impairment	(158,309)	(53,461)	(211,770)
	<u>\$ 49,823</u>	<u>\$ 11,515</u>	<u>\$ 61,338</u>
<u>2018</u>			
Opening net book amount	\$ 49,823	\$ 11,515	\$ 61,338
Additions	169,290	3,262	172,552
Amortisation charge (shown as 'general and administrative expenses')	-	(5,773)	(5,773)
Closing net book amount	<u>\$ 219,113</u>	<u>\$ 9,004</u>	<u>\$ 228,117</u>
<u>At December 31, 2018</u>			
Cost	\$ 377,422	\$ 68,240	\$ 445,662
Accumulated amortisation and impairment	(158,309)	(59,236)	(217,545)
	<u>\$ 219,113</u>	<u>\$ 9,004</u>	<u>\$ 228,117</u>

A. The information on intangible assets acquired through business combinations for the years ended December 31, 2019, and 2018 is provided in Note 6(30).

B. The Company evaluated the impairment of recoverable amount of goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Company's estimated average annual revenue growth rate is 5%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, the Company recognised impairment loss of goodwill of \$3,811 and \$0 for the years ended December 31, 2019 and 2018, respectively.

(10) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit loans	\$ 18,348,337	\$ 16,486,561
Loan facilities	\$ 20,409,697	\$ 19,556,306
Interest rate range	0.9177%~2.8330%	0.9114%~3.8266%
Contract period	2019/1/23~2020/6/24	2018/1/26~2019/8/29

Please refer to Note 8 for details of the collaterals of abovementioned secured borrowings.

(11) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper	\$ 400,000	\$ 1,350,000
Amortisation of discount	(1,047)	(1,115)
	<u>\$ 398,953</u>	<u>\$ 1,348,885</u>
Coupon rate	<u>0.83%~0.85%</u>	<u>0.57%~0.88%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Forward foreign exchange contracts	\$ 25,841	\$ 2,055
Cross currency swap contracts	-	1,482
	<u>\$ 25,841</u>	<u>\$ 3,537</u>

A. The Company recognised net (loss) gain of (\$10,406) and \$70,433 (shown as ‘other gains and losses’) on financial liabilities at fair value through profit or loss for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instruments and contract information are as follows:

	<u>December 31, 2019</u>		
	<u>Contract amount</u>		
	<u>(Notional principal)</u>		
<u>Derivative financial liabilities</u>	<u>(In thousands)</u>		<u>Contract period</u>
Current items:			
Forward foreign exchange contracts	USD (BUY)	146,017	2019.11.08~2020.03.27
	<u>December 31, 2018</u>		
	<u>Contract amount</u>		
	<u>(Notional principal)</u>		
<u>Derivative financial liabilities</u>	<u>(In thousands)</u>		<u>Contract period</u>
Current items:			
Forward foreign exchange contracts	USD (BUY)	17,000	2018.11.28~2019.03.28
Cross currency swap contracts	USD (BUY)	10,000	2018.12.26~2019.02.26

(a) The Company entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For

interest rate, to hedge the exchange risk of floating rate, the Company exchanged fixed rate of NTD for floating rate of USD. However, these cross currency swap contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Company deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

(13) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries and bonuses payable	\$ 472,626	\$ 429,401
Accrued VAT payable	241,932	191,308
Finance cost payable	71,712	112,859
Costs to technical services payable	61,325	58,097
Insurance expense payable	46,863	66,419
Freight payable	45,990	43,423
Services payable	41,087	6,335
Others	177,205	183,445
	<u>\$ 1,158,740</u>	<u>\$ 1,091,287</u>

(14) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ 1,158,600	\$ 1,074,200
Less: Discount on bonds payable	(34,509)	(7,452)
	1,124,091	1,066,748
Less: Bonds payable, current portion	-	(1,066,748)
	<u>\$ 1,124,091</u>	<u>\$ -</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On

December 31, 2019, the conversion price was NT\$37.6 per share.

- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus-share options’ amounting to \$36,459 as of December 31, 2019, in accordance with IAS 32.
 - (c) As of December 31, 2019, the convertible bonds converted into 1,101 thousand common shares totaled \$41,400 at par value.
- B. Fifth unsecured convertible bonds of 2016
- (a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:
 - i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at \$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was \$31.3 per share.
 - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of December 31, 2019, in accordance with IAS 32.
 - (c) As of December 31, 2019, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value.
 - (d) The abovementioned bonds matured on July 7, 2019. The Company repaid \$49,900 for the unconverted bonds in accordance with the contract, and transferred \$1,875 from ‘capital surplus-share options’ to ‘capital surplus-share premium’.
- C. For the years ended December 31, 2019 and 2018, the amortised discount of bonds payable was \$8,882 and \$16,351, respectively.

(15) Long-term loans

Type of loans	Period	December 31, 2019	
		Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	\$ 120,080	\$ 120,080
Less: Long-term borrowings, current portion			(120,080)
			\$ -
Range of interest rates			<u>2.8013%</u>

Type of loans	Period	December 31, 2018	
		Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>368,580</u>	<u>368,580</u>
		<u>\$ 1,868,580</u>	993,580
Less: Long-term borrowings, current portion			(870,720)
			\$ 122,860
Range of interest rates			<u>1.05%~3.7526%</u>

A. Under the Bank SinoPac borrowing contract, the Company should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the loan. The Company's financial ratios in the consolidated financial statements for the years ended December 31, 2019 and 2018 met the financial commitment of abovementioned borrowing contract.

B. The Company's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

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

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 126,076	\$ 110,691
Fair value of plan assets	<u>(101,767)</u>	<u>(94,897)</u>
Net defined benefit liability (assets) (shown as 'other non-current liabilities / assets')	<u>\$ 24,309</u>	<u>\$ 15,794</u>

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

<u>Year ended December 31, 2019</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability (asset)</u>
Balance at January 1	\$ 110,691	\$ 94,897	\$ 15,794
Current service cost	1,093	-	1,093
Interest (expense) income	<u>1,107</u>	<u>949</u>	<u>158</u>
	<u>112,891</u>	<u>95,846</u>	<u>17,045</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,304	(3,304)
Change in financial assumptions	4,079	-	4,079
Experience adjustments	<u>9,106</u>	<u>-</u>	<u>9,106</u>
	<u>13,185</u>	<u>3,304</u>	<u>9,881</u>
Pension fund contribution	<u>-</u>	<u>2,617</u>	<u>(2,617)</u>
Balance at December 31	<u>\$ 126,076</u>	<u>\$ 101,767</u>	<u>\$ 24,309</u>

Year ended December 31, 2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (asset)
Balance at January 1	\$ 103,594	\$ 88,903	\$ 14,691
Current service cost	1,078	-	1,078
Interest (expense) income	1,243	1,067	176
	<u>105,915</u>	<u>89,970</u>	<u>15,945</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,485	(2,485)
Change in financial assumptions	2,527	-	2,527
Experience adjustments	2,249	-	2,249
	<u>4,776</u>	<u>2,485</u>	<u>2,291</u>
Pension fund contribution	-	2,442	(2,442)
Balance at December 31	<u>\$ 110,691</u>	<u>\$ 94,897</u>	<u>\$ 15,794</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund, hence, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	<u>0.7%</u>	<u>1%</u>
Future salary increases	<u>3%</u>	<u>3%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit

obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
<u>December 31, 2019</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Effect on present value of defined benefit obligation	(\$ 3,410)	\$ 3,533	\$ 3,130	(\$ 3,045)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 3,146)	\$ 3,263	\$ 2,915	(\$ 2,832)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to \$2,795.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 11 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$36,721 and \$32,550, respectively.

(17) Share capital

A. As of December 31, 2019, the Company’s authorised capital was \$10,000,000, consisting of 1 billion shares of ordinary stock (including 90 million shares reserved for employee stock options), and the paid-in capital was \$5,903,358 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company’s ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2019	2018
	Shares (in thousands)	Shares (in thousands)
At January 1	557,611	552,262
Shares converted from bonds	33,826	5,349
At December 31	591,437	557,611

C. For the fourth quarter 2019, convertible bonds amounting to \$41,400 in total par value were requested for conversion into 1,101 thousand ordinary shares. The amount was recorded under ‘certificate of entitlement to new shares from convertible bonds’ because the change in registration has not yet been completed as of December 31, 2019.

(18) Capital surplus

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

	2019				
	Share premium	Treasury share transactions	Stock options	Net change in equity of subsidiaries/ associates	Total
At January 1	\$ 8,684,119	\$ 40,742	\$ 40,362	\$ 8,159	\$ 8,773,382
Issue of convertible bonds	-	-	37,762	-	37,762
Expiration of convertible bonds	1,875	-	(1,875)	-	-
Conversion of convertible bonds	760,404	-	(39,790)	-	720,614
Changes in subsidiaries accounted for using equity method	-	-	-	78	78
At December 31	<u>\$ 9,446,398</u>	<u>\$ 40,742</u>	<u>\$ 36,459</u>	<u>\$ 8,237</u>	<u>\$ 9,531,836</u>
	2018				
	Share premium	Treasury share transactions	Stock options	Net change in equity of subsidiaries/ associates	Total
At January 1	\$ 8,565,163	\$ 40,742	\$ 46,675	\$ 8,159	\$ 8,660,739
Conversion of convertible bonds	118,956	-	(6,313)	-	112,643
At December 31	<u>\$ 8,684,119</u>	<u>\$ 40,742</u>	<u>\$ 40,362</u>	<u>\$ 8,159</u>	<u>\$ 8,773,382</u>

B. For the information relating to capital surplus-share options, please refer to Note 6(14).

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be determined based on the Company's dividend policy, taking into account the indispensability of taking the earnings to back up the capital needs. The appropriation shall be proposed by the Board of Directors and resolved by the shareholders.
- B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:
- C. At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- F. The following are the earnings appropriation for the year ended December 31, 2019 proposed by the Board of Directors in February 2020, and the earnings appropriation for the year ended December 31, 2018 resolved in the stockholders' meeting held in June 2019:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 261,034		\$ 277,823	
Special reserve	647,573		34,466	
Cash dividends	<u>1,645,111</u>	\$ 2.776	<u>1,387,967</u>	\$ 2.36
	<u>\$ 2,553,718</u>		<u>\$ 1,700,256</u>	

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(20) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	(\$ 143,568)
Valuation adjustment on equity instruments			
- The Company	(3,167)	-	(3,167)
- Subsidiaries	210,918	-	210,918
Disposals reclassified as retained earnings			
- The Company	(14)	-	(14)
- Subsidiaries	(87,617)	-	(87,617)
Currency translation differences			
- Translation of foreign operations	-	(501,673)	(501,673)
- Subsidiaries and associates	-	(266,021)	(266,021)
At December 31, 2019	<u>\$ 368,652</u>	<u>(\$ 1,159,794)</u>	<u>(\$ 791,142)</u>

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	\$ 865,950	(\$ 975,052)	(\$ 109,102)
Effects on retrospective application of IFRS 9	(22,321)	-	(22,321)
Valuation adjustment on equity instruments			
- Subsidiaries	(317,172)	-	(317,172)
Disposals reclassified as retained earnings			
- Subsidiaries	(277,925)	-	(277,925)
Currency translation differences			
- Translation of foreign operations	-	569,283	569,283
- Subsidiaries and associates	-	13,669	13,669
At December 31, 2018	<u>\$ 248,532</u>	<u>(\$ 392,100)</u>	<u>(\$ 143,568)</u>

(21) Operating revenue

	Years ended December 31,	
	2019	2018
Contract revenue		
Sale of electronic components	\$ 273,820,634	\$ 213,486,535
Other operating revenue	176,096	154,084
	<u>\$ 273,996,730</u>	<u>\$ 213,640,619</u>

A. The Company's revenue from customers' contracts primarily arise from the transfer of goods at a point in time. Please refer to Statement 6 for revenue information by category.

B. The Company has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2019	December 31, 2018	January 1, 2018
Refund liabilities - sales discounts and returns	<u>\$ 368,473</u>	<u>\$ 519,642</u>	<u>\$ 685,883</u>
Contract liabilities - advance sales receipts	<u>\$ 92,506</u>	<u>\$ 2,145,327</u>	<u>\$ 416,627</u>

(22) Other income

	Years ended December 31,	
	2019	2018
Interest income	\$ 8,581	\$ 14,737
Other income	4,582	2,842
	<u>\$ 13,163</u>	<u>\$ 17,579</u>

(23) Other gains and losses

	Years ended December 31,	
	2019	2018
Foreign exchange gain (loss), net	\$ 164,908	(\$ 35,838)
Impairment loss	(3,811)	-
(Loss) gain on financial liabilities at fair value through profit or loss - derivatives	(10,406)	70,433
Gain on financial assets at fair value through profit or loss - equity instruments	-	3,025
Other losses	(32,983)	(2,142)
	<u>\$ 117,708</u>	<u>\$ 35,478</u>

(24) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	\$ 701,884	\$ 467,687
Others	24,044	24,317
Financing charges on accounts receivable factoring	523,145	509,645
Other finance costs	10,959	9,996
	<u>\$ 1,260,032</u>	<u>\$ 1,011,645</u>

(25) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 1,131,287	\$ 1,043,814
Depreciation	173,891	47,630
Amortisation	8,860	5,773
Total (shown as 'Operating expenses')	<u>\$ 1,314,038</u>	<u>\$ 1,097,217</u>

(26) Employee benefit expense

	Years ended December 31,	
	2019	2018
Employee benefit expense		
Wages and salaries	\$ 902,190	\$ 838,777
Labour and health insurance fees	62,774	54,797
Pension costs	37,972	33,804
Directors' remuneration	10,500	9,000
Other personnel expenses	117,851	107,436
Total (shown as 'Operating expenses')	<u>\$ 1,131,287</u>	<u>\$ 1,043,814</u>

- A. For the years ended December 31, 2019 and 2018, the Company had 729 and 656 employees, including 5 and 4 non-employee directors, respectively.
- B. For the years ended December 31, 2019 and 2018, the average employee benefit expenses were \$1,548 and \$1,583, respectively, while the average employee wages and salaries were \$1,246 and \$1,286, respectively; the variation on adjustments in the average employee wages and salaries was (3.14)%.
- C. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- D. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$29,300 and \$31,900, respectively; while directors' and supervisors' remuneration was accrued at \$10,500 and \$12,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2019 and 2018.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the shareholders at their meeting were in agreement with those amounts recognised in profit or loss for 2018.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profit for the year	\$ 258,104	\$ 238,218
Tax on undistributed surplus earnings	<u>63,772</u>	<u>77,023</u>
Total current tax	<u>321,876</u>	<u>315,241</u>
Deferred tax:		
Origination and reversal of temporary differences	29,580	65,053
Impact of change in tax rate	<u>-</u>	<u>(13,410)</u>
Total deferred tax	<u>29,580</u>	<u>51,643</u>
Income tax expense	<u>\$ 351,456</u>	<u>\$ 366,884</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	\$ 1,976	\$ 458
Impact of change in tax rate	-	839
	<u>\$ 1,976</u>	<u>\$ 1,297</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 576,479	\$ 629,023
Effect from items disallowed by tax regulation	(283,490)	(325,752)
Additional tax on undistributed earnings	63,772	77,023
Prior year income tax overestimation	(5,305)	-
Impact of change in tax rate	-	(13,410)
Income tax expenses	<u>\$ 351,456</u>	<u>\$ 366,884</u>

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Allowance for sales returns and discounts	\$ 240,172	(\$ 31,426)	\$ -	\$ 208,746
Reserve for inventory obsolescence and market price decline	139,747	4,992	-	144,739
Unrealised foreign exchange loss	-	44,010	-	44,010
Others	<u>28,665</u>	<u>3,768</u>	<u>1,976</u>	<u>34,409</u>
	<u>408,584</u>	<u>21,344</u>	<u>1,976</u>	<u>431,904</u>
Deferred tax liabilities:				
Foreign investment income using equity method	(362,228)	(56,701)	-	(418,929)
Unrealised foreign exchange gain	(5,777)	5,777	-	-
	<u>(\$ 368,005)</u>	<u>(\$ 50,924)</u>	<u>\$ -</u>	<u>(\$ 418,929)</u>

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Allowance for sales returns and discounts	\$ 185,227	\$ 54,945	\$ -	\$ 240,172
Reserve for inventory obsolescence and market price decline	149,466	(9,719)	-	139,747
Unrealised foreign exchange loss	8,731	(8,731)	-	-
Others	23,762	3,606	1,297	28,665
	<u>\$ 367,186</u>	<u>\$ 40,101</u>	<u>\$ 1,297</u>	<u>\$ 408,584</u>
Deferred tax liabilities:				
Unrealised foreign exchange gain	\$ -	(\$ 5,777)	\$ -	(\$ 5,777)
Foreign investment income using equity method	(276,261)	(85,967)	-	(362,228)
	<u>(\$ 276,261)</u>	<u>(\$ 91,744)</u>	<u>\$ -</u>	<u>(\$ 368,005)</u>

A. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	\$ 16,622	\$ 13,741

B. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences of unrecognised deferred tax liabilities were \$3,773,058 and \$3,640,781, respectively.

C. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

D. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% and the additional applicable income tax rate imposed on unappropriated earnings was reduced from 10% to 5% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(28) Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method

	Years ended December 31,	
	2019	2018
Subsidiaries and associates:		
Components of other comprehensive income that will not be reclassified to profit or loss		
- Valuation adjustment on equity instruments	\$ 210,918	(\$ 317,172)
- Net loss on defined benefit plan	(324)	(3,791)
	<u>210,594</u>	<u>(320,963)</u>
Components of other comprehensive income that will be reclassified to profit or loss		
- Currency translation differences	(266,021)	13,669
	<u>(\$ 55,427)</u>	<u>(\$ 307,294)</u>

(29) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	<u>\$ 2,530,940</u>	<u>585,359</u>	<u>\$ 4.32</u>
<u>Diluted earnings per share</u>			
Profit for the year	2,530,940	585,359	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	8,882	21,354	
Employees' compensation	<u>-</u>	<u>871</u>	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,539,822</u>	<u>607,584</u>	<u>\$ 4.18</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 2,778,229	553,629	\$ 5.02
<u>Diluted earnings per share</u>			
Profit for the year	2,778,229	553,629	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	16,351	38,315	
Employees' compensation	-	831	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	\$ 2,794,580	592,775	\$ 4.71

(30) Business combinations

The following business combinations occurred during the years ended December 31, 2019 and 2018:

A. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:

- (a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to \$15,396. The record date of the transfer was July 1, 2019.
- (b) Green Chips Co., Ltd. is a distributor of electronic components with the Korea region as its primary market.
- (c) As of December 31, 2019, actual payment of \$15,396 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.
- (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2019</u>
Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	-
Goodwill	<u>\$ 15,396</u>

As of December 31, 2019, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

B. The Company acquired part of the electronic component distribution business of STC Corporation.

- (a) In June 2018, the Company signed a business transfer agreement with STC Corporation, acquiring part of the company's electronic component distribution business in cash. The record date of the transfer was October 5, 2018.
- (b) If the gross profit exceeds US\$4 million during the period from July 2018 to June 2020, 70% of excess amounts shall be paid in cash as additional consideration as stipulated in a contingent consideration agreement, which were included in considerations payable amounting to \$169,920 (US\$5,500 thousand) under the business transfer agreement. After the Company's assessment, there was no possibility that the specified contingent events that may occur based on the cost of distribution business and accordingly, there was no adjustment to the actual consideration paid.
- (c) STC Corporation is a distributor of electronic components with the Korea region as its primary market.
- (d) Information on the acquisition of the distribution business is as follows:

	<u>December 31, 2018</u>
Purchase consideration	\$ 169,290
Less: Fair value of the identifiable net assets	-
Goodwill	<u>\$ 169,290</u>

(31) Operating leases

Prior to 2019

The Group leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expenses of \$144,107 for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 107,609
Later than one year but not later than five years	241,942
Later than five years	<u>27,435</u>
	<u>\$ 376,986</u>

(32) Supplemental cash flow information

Cash paid for property, plant and equipment:

	<u>Years ended Decemer 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 82,683	\$ 92,578
Less: Ending balance of payable on equipment	(4,817)	-
Cash paid during the year	<u>\$ 77,866</u>	<u>\$ 92,578</u>

(33) Changes in liabilities from financing activities

	Long-term and short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities - gross
At January 1, 2019	\$17,480,141	\$ 1,348,885	\$ 1,066,748	\$ -	\$19,895,774
Changes in cash flow from financing activities	988,276	(957,983)	1,145,100	(102,347)	1,073,046
Interest expense from amortisation	-	8,051	8,882	-	16,933
Conversion of convertible bonds	-	-	(1,058,877)	-	(1,058,877)
Issuance of convertible bonds attributable to equity	-	-	(37,762)	-	(37,762)
IFRS 16 conversion recognition	-	-	-	355,564	355,564
Increase in lease liability for the year	-	-	-	28,013	28,013
At December 31, 2019	<u>\$18,468,417</u>	<u>\$ 398,953</u>	<u>\$ 1,124,091</u>	<u>\$ 281,230</u>	<u>\$20,272,691</u>

	Long-term and short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable (Note 2)	Lease liability	Liabilities from financing activities - gross
At January 1, 2018	\$13,434,111	\$ 1,149,289	\$ 1,216,527	\$ -	\$15,799,927
Changes in cash flow from financing activities	4,046,030	191,630	-	-	4,237,660
Interest expense from amortisation	-	7,966	16,351	-	24,317
Conversion of convertible bonds	-	-	(166,130)	-	(166,130)
At December 31, 2018	<u>\$17,480,141</u>	<u>\$ 1,348,885</u>	<u>\$ 1,066,748</u>	<u>\$ -</u>	<u>\$19,895,774</u>

Note 1: Including long-term liabilities-current portion

Note 2: Shown as 'long-term liabilities-current portion'

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Techmosa International Inc.	Subsidiary of the Company
Nuvision Technology Inc.	Subsidiary of the Company
Morrihan International Corp.	Subsidiary of the Company
Maxtek Technology Co., Ltd.	Subsidiary of the Company
WT Microelectronics (Hong Kong) Limited	Indirectly reinvested subsidiary of the Company
WT Solomon QCE Limited	Indirectly reinvested subsidiary of the Company
WT Technology Pte. Ltd.	Indirectly reinvested subsidiary of the Company
WT Microelectronics Singapore Pte. Ltd.	Indirectly reinvested subsidiary of the Company
Wintech Microelectronics Ltd.	Indirectly reinvested subsidiary of the Company
WT Technology Korea Co., Ltd.	Indirectly reinvested subsidiary of the Company
Wonchang Semiconductor Co., Ltd.	Indirectly reinvested subsidiary of the Company
Lacewood International Corp.	Indirectly reinvested subsidiary of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
- Subsidiaries		
Morrihan International Corp.	\$ 83,065,305	\$ 45,867,046
WT Microelectronics (Hong Kong) Limited	20,690,270	18,715,251
WT Technology Pte. Ltd.	8,620,566	10,434,535
Others	24,727,571	20,335,423
	<u>\$ 137,103,712</u>	<u>\$ 95,352,255</u>

The collection terms with related parties were 90 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

B. Purchases

	Years ended December 31,	
	2019	2018
Purchases of goods:		
-Subsidiaries	\$ 10,219,611	\$ 11,180,683
-Associates	4	14
	<u>\$ 10,219,615</u>	<u>\$ 11,180,697</u>

The credit term to related parties is 90 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

C. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
- Subsidiaries		
Morrihan International Corp.	\$ 8,054,975	\$ 6,582,968
WT Microelectronics (Hong Kong) Limited	3,077,588	878,546
WT Solomon QCE Ltd.	2,201,400	794,442
Others	<u>1,827,442</u>	<u>1,402,326</u>
	<u>\$ 15,161,405</u>	<u>\$ 9,658,282</u>

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
- Subsidiaries		
Maxtek Technology Co., Ltd.	\$ 319,939	\$ 1,545
Nuvision Technology Inc.	300,845	232,957
Techmosa International Inc.	224,533	68,153
Others	<u>13,244</u>	<u>10,705</u>
	<u>\$ 858,561</u>	<u>\$ 313,360</u>

E. Contract liabilities – current (Advance sales receipts)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contract liabilities – current (Advance sales receipts):		
- Subsidiaries		
WT Technology Pte. Ltd.	\$ -	\$ 1,300,782
Nuvision Technology Inc.	-	439,225
Wintech Microelectronics Ltd.	-	361,209
Others	<u>11,239</u>	<u>-</u>
	<u>\$ 11,239</u>	<u>\$ 2,101,216</u>

F. Commissions

(a) Commissions expense

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
-Subsidiaries	<u>\$ 55,400</u>	<u>\$ 60,374</u>

(b) Commissions payable (shown as ‘other payables to related parties)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
- Subsidiaries	<u>\$ 2,717</u>	<u>\$ 3,871</u>

G. Loans to others

Loans to related parties:

(a) Outstanding balance (shown as 'other receivables'):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
- Subsidiaries	\$ -	\$ 721,803

For the years ended December 31, 2019 and 2018, the interest rate was 1.8% for the abovementioned loans to related parties. Please refer to table 1 for details of loans to subsidiaries.

(b) Interest income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
- Subsidiaries	\$ 2,128	\$ 10,701

H. Endorsements and guarantees provided to related parties

As of December 31, 2019 and 2018, the balances of provision of endorsements and guarantees to subsidiaries for bank borrowings and purchase guarantees were as follows. The details are provided in Note 13(1)B.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
- Subsidiaries	\$ 10,574,786	\$ 10,444,809

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 75,756	\$ 86,339
Post-employment benefits	269	713
	<u>\$ 76,025</u>	<u>\$ 87,052</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

The amounts of outstanding letters of credit for the purchase of inventories by the Company are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Outstanding letters of credit	\$ 1,760,560	\$ 1,656,445

B. Provision of endorsements and guarantees

Please refer to Note 7(1) H for the provision of endorsements and guarantees to subsidiaries for bank borrowings.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On February 15, 2020, the Board of Directors resolved the following issues and presented them to be discussed at the shareholder's meeting:

(a) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to choose the most appropriate time for the issuance of the preferred shares through private placement, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

(b) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to decide the most appropriate time for the issuance of the common shares through private placement, which should be processed in one time or several times starting from the date resolved at the shareholders' meeting.

(c) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors, depending on the market situation and the capital needs of the Company, to raise capital by the issuance of common shares through book building, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

The total number of shares mentioned above is limited to 170,000,000 shares with a par value of NT\$10 (in dollars) per share.

B. On February 15, 2020, the Board of Directors resolved the issuance of employee restricted stocks of 3,000,000 common shares with a par value of \$10 (in dollars) per share, amounting to \$30,000,000. The issuance should be reported to the regulatory authority in one time or several times within a year starting from the date resolved at the shareholders' meeting. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

C. Details of the appropriation of 2019 earnings as resolved by the Board of Directors on February 15, 2020 are provided in Note 6(21).

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the financial debt ratio. This ratio is

calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the parent company only balance sheet. Total equity is calculated as the 'equity' in the parent company only balance sheet.

In 2019 and 2018, the Company's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income (Note 1)	\$ 4,331,419	\$ 3,044,426
Financial assets at amortised cost (Note 2)	<u>27,169,986</u>	<u>20,942,844</u>
	<u>\$ 31,501,405</u>	<u>\$ 23,987,270</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (Note 3)	\$ 25,841	\$ 3,537
Financial liabilities at amortised cost (Note 4)	<u>60,177,037</u>	<u>52,762,921</u>
	<u>\$ 60,202,878</u>	<u>\$ 52,766,458</u>
Lease liability	<u>\$ 281,230</u>	<u>\$ -</u>

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board

provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(12).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to manage their foreign exchange risk against their functional currency.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(12).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,010,091	30.020	\$ 30,322,932	1%	\$ 303,229
<u>Foreign operations</u>					
USD:NTD	341,781	30.020	10,249,536		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,166,178	30.020	35,008,664	1%	350,087

December 31, 2018

	Foreign currency			Sensitivity analysis	
	amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 739,772	30.715	\$22,722,097	1%	\$ 227,221
<u>Foreign operations</u>					
USD:NTD	321,607	30.715	9,833,752		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	733,660	30.715	22,534,367	1%	225,344

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to \$164,908 and (\$35,838), respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2019 and 2018, other components of equity would have increased/decreased by \$290 and \$122, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$49,655 and \$48,312, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 28,141,012	\$ 19,743,307
Up to 90 days	2,315,923	2,257,319
91 to 180 days	9,705	81,595
Over 180 days	<u>169,809</u>	<u>171,236</u>
	<u>\$ 30,636,449</u>	<u>\$ 22,253,457</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Company assesses the expected credit losses of its accounts receivable as follows:
 - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
 - (ii) The remaining receivables are segmented according to the Company's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;

- (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
- (iv) As of December 31, 2019 and 2018, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>December 31, 2019</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	98.22%	0.03%	0.01%~2.98%	1.71%~33.9%	
Total book value	<u>\$ 247,074</u>	<u>\$ 22,563,770</u>	<u>\$ 6,578,200</u>	<u>\$ 1,247,405</u>	<u>\$ 30,636,449</u>
Loss allowance	<u>\$ 242,666</u>	<u>\$ 6,769</u>	<u>\$ 2,703</u>	<u>\$ 24,071</u>	<u>\$ 276,209</u>
<u>December 31, 2018</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	100.00%	0.05%	0%~2.06%	2.48%~50.52%	
Total book value	<u>\$ 90,272</u>	<u>\$ 16,278,713</u>	<u>\$ 5,403,663</u>	<u>\$ 480,809</u>	<u>\$ 22,253,457</u>
Loss allowance	<u>\$ 90,272</u>	<u>\$ 8,139</u>	<u>\$ 17,201</u>	<u>\$ 130,878</u>	<u>\$ 246,490</u>

Group A: Customers with excellent credit rating and the Company's subsidiaries

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
At January 1	\$ 246,490	\$ 206,269
Adjustments under new standards	-	34,834
Provision for impairment	29,719	5,387
At December 31	<u>\$ 276,209</u>	<u>\$ 246,490</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. The Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. The Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2019</u>				
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 90,750	\$ 187,492	\$ 10,974	\$ 289,216
Bonds payable	-	1,158,600	-	1,158,600
	<u>\$ 90,750</u>	<u>\$ 1,346,092</u>	<u>\$ 10,974</u>	<u>\$ 1,447,816</u>
<u>December 31, 2018</u>				
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Long-term borrowings	<u>\$ 870,720</u>	<u>\$ 122,860</u>	<u>\$ -</u>	<u>\$ 993,580</u>

Except for the abovementioned, the Company's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2019 and 2018, all derivative financial liabilities of the Company are due in one year.

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. This

includes the fair value of all investments in publicly listed companies.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes the fair value of all investments in derivative financial instruments.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,994	\$ 28,994
Accounts receivable that are expected to be factored	-	4,302,425	-	4,302,425
	<u>\$ -</u>	<u>\$ 4,302,425</u>	<u>\$ 28,994</u>	<u>\$ 4,331,419</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	\$ -	\$ 25,841	\$ -	\$ 25,841

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 12,175	\$ 12,175
Accounts receivable that are expected to be factored	-	3,032,251	-	3,032,251
	<u>\$ -</u>	<u>\$ 3,032,251</u>	<u>\$ 12,175</u>	<u>\$ 3,044,426</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	\$ -	\$ 3,537	\$ -	\$ 3,537

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Equity securities	
	2019	2018
At January 1	\$ 12,175	\$ -
Adjustment on transfer of IFRS 9	-	12,175
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,167)	-
Acquired in the year	20,000	-
Sold in the year	(14)	-
At December 31	<u>\$ 28,994</u>	<u>\$ 12,175</u>

For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,994	Discounted cash flow method	Weighted average cost of capital	11.89%~12.51%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
			Long-term revenue growth rate	6.1%~219.3%	
			Discount for lack of marketability	5%~8%	
			Discount for lack of control	10%	
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 12,175	Latest transaction price without active market	N/A	N/A	N/A

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(12).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

Not applicable.

WT Microelectronics Co., Ltd.
Loans to others
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor		Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party		Ceiling on total loans granted	Footnote
													Item	Value				
0	WT MICROELECTRONICS LTD.	CO.,	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 920,620	\$ 859,240	\$ -	1.20%	Short-term financing	-	Business Operation	\$ -	\$ -	\$ -	2,347,839	\$ 9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	MAXTEK TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	HONGTECH ELECTRONICS CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	LACEWOOD INTERNATIONAL CORP.	Other receivables - related parties	Y	316,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED		WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	63,200	60,040	60,040	3.00%	Short-term financing	-	Business Operation	-	-	-	108,673	108,673	Note 2
2	WINTech MICROELECTRONICS HOLDING LIMITED		BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	305,000	150,100	150,100	2.60%	Short-term financing	-	Business Operation	-	-	-	2,786,834	3,715,778	Note 4
2	WINTech MICROELECTRONICS HOLDING LIMITED		WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,011,200	990,660	622,315	2.7%~3%	Short-term financing	-	Business Operation	-	-	-	9,289,446	9,289,446	Note 2
3	BSI SEMICONDUCTOR PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	304,483	291,194	291,194	1.9%~2.55%	Short-term financing	-	Business Operation	-	-	-	510,945	510,945	Note 2
4	MSD HOLDING PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	88,480	84,056	84,056	2.60%	Short-term financing	-	Business Operation	-	-	-	91,670	91,670	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding	Outstanding	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantees amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
					endorsement / guarantee amount as of December 31, 2019	endorsement / guarantee amount at December 31, 2019								
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 18,782,715	\$ 350,000	\$ 350,000	\$ 350,000	-	1.49%	\$ 18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	18,782,715	262,000	12,000	-	-	0.05%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	18,782,715	158,000	150,100	32,996	-	0.64%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	18,782,715	632,000	600,400	-	-	2.56%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	18,782,715	2,212,000	2,101,400	1,200,800	-	8.95%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	18,782,715	66,360	63,042	40,268	-	0.27%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	18,782,715	1,580	1,501	127	-	0.01%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	18,782,715	316,000	300,200	-	-	1.28%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	18,782,715	252,800	240,160	-	-	1.02%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	18,782,715	3,767,391	3,767,391	1,878,340	-	16.05%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	18,782,715	1,591,254	1,457,572	515,544	-	6.21%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	18,782,715	189,600	180,120	156,775	-	0.77%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	18,782,715	1,422,000	1,350,900	1,323,518	-	5.75%	18,782,715	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,078,298	10,000	2,000	2,000	-	0.15%	1,078,298	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,941,797	15,000	15,000	15,000	-	0.41%	2,941,797	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	867,298	82,478	-	-	-	0.00%	867,298	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,237,454	313,800	-	-	-	0.00%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,237,454	214,800	150,100	-	-	9.70%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,237,454	9,500	9,500	9,500	-	0.61%	1,237,454	N	N	N	Note 4
5	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	213,735	9,500	9,500	9,500	-	3.56%	213,735	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd.
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2019				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.26	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.70	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	20,000	9.62	20,000	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	19,533	0.42	19,533	
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	222,664	404,806	0.66	404,806	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	30,020	0.79	30,020	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	50,122	2.30	50,122	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	111,578	1.79	111,578	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	28,563	0.46	28,563	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current

WT Microelectronics Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 83,065,305	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 8,054,975	26	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	20,690,270	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,077,588	10	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,620,566	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	530,071	2	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	8,088,993	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	371,743	1	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	6,901,770	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,201,400	7	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	4,819,787	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	346,267	1	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	3,284,388	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,451	2	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	560,316	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	558,299	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	249,013	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,465	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	172,345	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,129,261	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,662,027	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(300,845)	1	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,233,157	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(224,533)	1	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,103,568	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(319,939)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 2,093,552	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 135,534	6
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,835,287	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	502,711	23
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,067,979	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	345,476	16
NUVISION TECHNOLOGY INC.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	149,134	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	74,131	3
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	5,477,930	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,569,326	19
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	2,884,842	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,095	7
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	255,557	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	96,910	1
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	177,045	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,957	1
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	126,174	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	53,268	1
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	122,443	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	438,541	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,273	5
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	160,637	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	34,269	3
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	759,104	7	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	47,938	3
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	379,276	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	246,934	17
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,059,138	31	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,555	1
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	138,716	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	\$ 6,425,892	74	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 1,583,873	98	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,287,061	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	35,641	2	
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	205,775	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	169,159	35	

WT Microelectronics Co., Ltd.
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 8,054,975	11.35	\$ -		\$ 4,935,912	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	3,077,588	10.46	-		3,077,588	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,201,400	4.61	-		1,840,442	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	564,451	6.76	465,955	Subsequent collection	38,035	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	530,071	32.53	-		530,071	-
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	371,743	43.52	-		371,743	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	346,267	7.75	-		346,267	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	502,711	5.96	-		324,694	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	345,476	3.08	-		14	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	300,845	9.97	-		187,274	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	135,534	8.64	-		135,534	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,569,326	3.56	-		674,110	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	564,095	8.89	-		341,290	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	224,533	8.43	2,384	Subsequent collection	16,164	-
MAXTEK TECHNOLOGY CO., LTD.	WT MICROELECTRONICS CO., LTD.	Affiliates	319,939	6.90	-		91,865	-
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	246,934	3.05	-		-	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,583,873	5.43	-		635,949	-
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	169,159	2.43	264	Subsequent collection	-	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd.
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	\$ 83,065,305	(Note 3)	25
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	8,054,975	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Sales	20,690,270	(Note 3)	6
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Accounts receivable	3,077,588	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	8,620,566	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Accounts receivable	530,071	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	8,088,993	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Accounts receivable	371,743	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	6,901,770	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	2,201,400	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	4,819,787	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	346,267	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	1	Sales	3,284,388	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	1	Accounts receivable	564,451	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	560,316	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	558,299	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	1	Sales	249,013	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Sales	172,345	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	5,129,261	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	2,662,027	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	300,845	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	1,233,157	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Accounts payable	224,533	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Purchases	1,103,568	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Accounts payable	319,939	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	2,093,552	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	135,534	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	1,835,287	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Accounts receivable	502,711	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	1,067,979	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	345,476	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	149,134	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	5,477,930	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,569,326	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	2,884,842	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Accounts receivable	564,095	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	255,557	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	177,045	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	3	Sales	126,174	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	3	Sales	122,443	(Note 3)	-

WT Microelectronics Co., Ltd.
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
3	TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	3	Sales	\$ 438,541	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	160,637	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	759,104	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Sales	379,276	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	246,934	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	1,059,138	(Note 3)	-
6	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	3	Sales	138,716	(Note 3)	-
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	6,425,892	(Note 3)	2
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	1,583,873	(Note 3)	2
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	2,287,061	(Note 3)	1
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Sales	205,775	(Note 3)	-
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	169,159	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiary to the Company.
- (3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,242,563	\$ 499,085	\$ 499,085	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,917,116	148,412	148,412	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,677,188	490,769	490,769	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	740,094	15,714	15,714	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	823,012	340,734	340,428	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	41,856	41,856	500,000	100.00	10,406	902	902	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	66,488	1,145	1,145	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	(1)	(1)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	219,997	667	667	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,793,119	206,002	206,002	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,871,222	1,871,222	62,332,506	100.00	3,532,144	401,529	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	631,049	631,049	21,020,957	100.00	1,116,303	132,088	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	90,063	90,063	3,000,100	100.00	74,955	(7,471)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	150	150	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 150,100	\$ 150,100	5,000,000	100.00	\$ 2,134,983	\$ 134	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	71,265	71,265	5,869,093	23.07	62,571	(88,627)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	549,726	549,726	14,917,000	47.98	-	(178,675)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,024	36,024	1,200,000	17.65	29,276	(4,611)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,020	30,020	18,924	24.65	30,077	(2,602)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	376,080	376,080	12,527,632	100.00	1,914,911	198,032	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,336	9,336	311,000	100.00	35,897	619	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	689,692	689,692	22,974,430	100.00	708,513	3,478	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,855	3,855	1,000,000	100.00	108,673	1,894	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	796,234	796,234	110,000,000	100.00	764,137	197,522	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,375	33,375	1,500,000	100.00	273,609	40,997	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,652	3,652	500,000	100.00	3,709	(18)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	546,571	546,571	3,800,000	95.47	838,189	94,469	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	\$ 3,003	\$ 3,003	300,000	100.00	\$ 3,141	(\$ 774)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	3,007	-	700,000	100.00	3,151	147	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	499,085	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	9,973	(27)	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,798	184	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	52,071	52,071	180,472	4.53	27,993	94,469	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	23,544	23,544	53,505	100.00	183,372	8,848	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	249,236	42,351	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,473	364	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	267,169	68,672	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	559,417	4,609	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	19,954	69,840	6,000	100.00	20,359	(122)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	40,000	40,000	4,000,000	40.00	34,934	(12,674)	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,130	23,130	6,000,000	100.00	17,900	(146)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investment in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 9,006	2	\$ 9,006	\$ -	\$ -	\$ 9,006	\$ 630	100.00	\$ 630	\$ 35,818	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	686,190	2	631,240	-	-	631,240	3,478	100.00	3,478	708,407	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,055,203	2	574,883	-	-	574,883	35,154	100.00	35,154	1,084,123	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	39,927	3	30,020	-	-	30,020	184	100.00	184	44,798	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	123,082	2	19,934	-	-	19,934	(73,395)	23.07	(16,932)	41,390	-	Note 8
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
WT MICROELECTRONICS CO., LTD.	\$ 1,265,083	\$ 1,979,953		\$ 14,087,482									

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

WT MICROELECTRONICS CO., LTD.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 1

Items	Summary					Amount
Petty cash and cash on hand						\$ 751
Cash in banks						
Demand deposits						39,832
Checking accounts						8,503
Foreign currency deposits	USD	14,433	Thousand	Exchange rate	30.02	441,897
	SGD	181	Thousand	Exchange rate	22.25	
	HKD	2,266	Thousand	Exchange rate	3.855	
	EUR	3	Thousand	Exchange rate	33.62	
	RMB	154	Thousand	Exchange rate	4.2962	
						<u>\$ 490,983</u>

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WT MICROELECTRONICS CO., LTD.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 2

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related parties</u>			
A customer		\$ 754,333	
B customer		624,680	
C customer		622,560	
D customer		606,167	
E customer		528,117	
Others		12,258,330	The balance of each customer has not exceeded 3% of the accounts receivable.
		<u>15,394,187</u>	
Less : Allowance for bad debts		(<u>195,352</u>)	
		<u>15,198,835</u>	
<u>Related parties</u>			
Morrihan International Corp.		\$ 8,054,975	
WT Microelectronics (Hong Kong) Limited		3,077,588	
WT Solomon QCE Limited		2,201,400	
WT Technology Korea Co., Ltd		564,451	
WT Technology Pte. Ltd.		530,071	
Wintech Microelectronics Ltd.		371,743	
WT Microelectronics Singapore Pte. Ltd.		346,267	
Others		<u>14,910</u>	
		<u>15,161,405</u>	
		<u>\$ 30,360,240</u>	

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WT MICROELECTRONICS CO., LTD.

DETAILS OF INVENTORIES

DECEMBER 31, 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 3

Items	Summary	Amount		Notes
		Cost	Net realisable value	
Merchandise inventory		\$ 34,094,862	<u>\$ 40,221,312</u>	
Less : Allowance for inventory valuation losses		(691,360)		
		<u>\$ 33,403,502</u>		

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WT MICROELECTRONICS CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 4

Name	Opening balance		Additions		Reductions		Ending balance			Market price or value per share		Pledged to others as collaterals
	Number of shares	Amounts	Number of shares	Amounts (Note 1)	Number of shares	Amounts (Note 2)	Number of shares	Ownership (%)	Amount	Price	Total price	
Wintech Microelectronics Holding Ltd.	115,323,691	\$ 8,815,533	-	\$ 702,476	-	(\$ 275,446)	115,323,691	99.65%	\$ 9,242,563	-	\$ 9,289,445	None
Morrihan International Corp.	283,760,000	3,737,104	-	491,983	-	(551,899)	283,760,000	100.00%	3,677,188	-	3,677,246	None
Techmosa International Corp.	73,949,070	2,080,880	-	150,937	-	(314,701)	73,949,070	100.00%	1,917,116	-	1,347,873	None
Maxtek Technology Co., Ltd	70,220,331	2,259,315	-	212,295	-	(678,491)	70,220,331	100.00%	1,793,119	-	1,546,817	None
BSI Semiconductor Pte. Ltd.	7,544,002	747,806	-	15,713	-	(23,425)	7,544,002	100.00%	740,094	-	510,945	None
Nuvision Technology, Inc.	28,216,904	790,392	-	340,427	-	(307,807)	28,216,904	99.91%	823,012	-	823,742	None
MSD Holdings Pte. Ltd.	200,001	223,531	-	667	-	(4,201)	200,001	100.00%	219,997	-	91,670	None
Milestone Investment Co., Ltd.	4,500,000	64,676	-	8,587	-	(6,775)	4,500,000	100.00%	66,488	-	69,519	None
Sinyie Investment Co., Ltd.	2,900,000	44,820	-	-	-	(1)	2,900,000	100.00%	44,819	-	44,819	None
Above Technology Inc.	500,000	9,426	-	980	-	-	500,000	100.00%	10,406	-	10,406	None
		<u>\$ 18,773,483</u>		<u>\$ 1,924,065</u>		<u>(\$ 2,162,746)</u>			<u>\$ 18,534,802</u>		<u>\$ 17,412,482</u>	

Note 1: It arose from gains and other comprehensive income on investments in subsidiaries accounted for using equity method.

Note 2: It arose from cash dividends from subsidiaries and losses and other comprehensive income on investments in subsidiaries accounted for using equity method.

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WT MICROELECTRONICS CO., LTD.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 5

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
<u>Non-related parties</u>			
F Company		\$ 17,454,310	
G Company		6,331,669	
H Company		3,024,956	
I Company		2,542,953	
Others		8,808,251	The balance of each customer has not exceeded 3% of the accounts payable.
		<u>38,162,139</u>	
<u>Related parties</u>			
Maxtek Technology Co., Ltd.		\$ 319,939	
Nuvision Technology, Inc.		300,845	
Techmosa International Corp.		224,533	
Others		<u>13,244</u>	
		<u>858,561</u>	
		<u>\$ 39,020,700</u>	

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WT MICROELECTRONICS CO., LTD.
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 6

<u>Items</u>	<u>Quantity (in thousands)</u>	<u>Amount</u>
Analog IC	7,970,487	\$ 139,478,018
Microcontroller Unit	820,697	21,115,451
IC Memory	1,438,033	19,362,897
Application-Specific IC	307,781	17,607,101
Discrete Devices	7,817,009	15,056,932
Microprocessor	73,566	8,890,221
Mixed-signal IC	453,321	4,541,742
Chipset	132,888	4,496,010
Logic IC	1,102,256	4,319,409
Optical Electronic Components	709,020	3,323,491
Image sensors IC	29,683	1,248,029
Others	1,311,161	<u>34,557,429</u>
		<u>\$ 273,996,730</u>

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WT MICROELECTRONICS CO., LTD.
DETAILS OF OPERATING COST
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 7

	Amount
Inventory at the beginning of the year	\$ 34,445,437
Add : Purchased	268,895,982
Less : Inventory at the end of the year	(34,094,862)
Inventory transferred to sample expenses	(15,333)
Inventory transferred to research expenses	(<u>4,109</u>)
Cost of sales	269,227,115
Loss on reversal of decline in market price	24,958
Loss on physical inventory and disposal of inventory	<u>231</u>
Operating costs	<u>\$ 269,252,304</u>

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WT MICROELECTRONICS CO., LTD.
DETAILS OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

STATEMENT 8

Items	Selling expenses	Administrative expenses	Research and development expenses	Impairment loss determined in accordance with IFRS 9	Total	Notes
Wages and salaries	\$ 611,725	\$ 136,919	\$ 153,546	\$ -	\$ 902,190	
Freight	293,356	1,384	-	-	294,740	
Depreciation expense	75,345	95,406	3,140	-	173,891	
Entertainment expense	162,570	3,052	926	-	166,548	
Employee benefits/welfare	96,651	560	-	-	97,211	
Insurance expense	57,703	16,091	12,638	-	86,432	
Traveling expense	54,451	6,514	11,528	-	72,493	
Rent expense	21,887	30,599	4,266	-	56,752	
Impairment loss determined in accordance with IFRS 9	-	-	-	29,719	29,719	
Other expenses	318,169	195,503	42,344	-	556,016	The balance of each customer has not exceeded 3% of the operating expense.
	<u>\$ 1,691,857</u>	<u>\$ 486,028</u>	<u>\$ 228,388</u>	<u>\$ 29,719</u>	<u>\$ 2,435,992</u>	

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- F. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None.

VII. Review and analysis of the financial status, financial performance, and risk management

A. Financial position

Comparative analysis of financial status

Unit: NT\$1,000

Item	Year	2019	2018	Difference	
				Amount	%
Net accounts receivable		44,665,508	36,127,336	8,538,172	23.63
Short-term bills payable		463,840	1,828,513	(1,364,673)	(74.63)
Accounts payable		45,689,544	37,997,769	7,691,775	20.24
Long-Term Liabilities – Current Portion		120,080	1,937,468	(1,817,388)	(93.80)
Corporate Bonds Payable		1,124,091	-	1,124,091	-
<p>1. Analysis of changes in ratios (the difference reaches 20% or above and the amount of change reaches 1% of total assets):</p> <p>(1) Net accounts receivable: Accounts receivables in 2019 increased compared with the previous period. This was mainly due to funding considerations that led to the decrease in accounts receivable factoring compared with the previous period.</p> <p>(2) Short-term bills payable: Mainly due to the maturity of commercial paper issued by the Company in 2018 Q4.</p> <p>(3) Accounts payable: The Group's consolidated operating revenue continued to grow 22.59% in 2019, and accounts payable related to operations increased as a result.</p> <p>(4) Long-Term Liabilities – Current Portion: The decrease in related amounts is due to the maturity of the fifth domestic issuance of unsecured convertible corporate bonds by the Company in 2019 Q3.</p> <p>(5) Corporate Bonds Payable: The Company issued the sixth domestic unsecured convertible corporate bonds in July 2019.</p> <p>2. Response plan for major changes: The above deviations had no major impact on the Group's financial status, so response plans did not need to be formulated.</p>					

B. Financial performance

1. Comparative Analysis of Financial Performance

Unit: NT\$1,000

Item \ Year	2019	2018	Increase (decrease) amount	Difference %
Net operating revenue	335,187,151	273,416,485	61,770,666	22.59
Operating cost	(324,386,746)	(262,771,537)	61,615,209	23.45
Operating margin	10,800,405	10,644,948	155,457	1.46
Operating expenses	(5,547,175)	(5,391,233)	155,942	2.89
Operating Profit	5,253,230	5,253,715	(485)	(0.01)
Non-operating income and expense	(1,944,145)	(1,632,905)	311,240	19.06
Pre-tax profit	3,309,085	3,620,810	(311,725)	(8.61)
Income tax expense	(777,838)	(842,295)	(64,457)	(7.65)
Current period net profit	2,531,247	2,778,515	(247,268)	(8.90)
Analysis of changes in ratios (the difference reaches 20% or above and the amount of change reaches NT\$50 million or above):				
Net Revenue and Operating Costs: Mainly due to the growth trend of product applications in 2019. The growth momentum was mainly driven by smart phone products, data centers, servers, and personal mobile processing products.				

2. Expected sales volume and its basis, potential impact on the Group's future financial position and business operations, and response plan

The Group is primarily engaged in the sales of various kinds of electronic components. Due to a wide variety of products and different unit selling prices of each product, it is not appropriate to use sales volume as a measurement base. In terms of the Group's overall sales forecast, according to the market and the development of macroeconomics, as well as the needs of major customers, the Group is expecting to continue showing a positive growth trend in the coming year.

C. Cash flows

1. Analysis of changes in cash flow in the most recent year

Unit: NT\$1,000

2019 Beginning Cash Balance (1)	Net cash inflow from operating activities (2)	Net cash inflow from non-operating activities (3)	December 31, 2019 Cash Balance (1)+(2)+(3)
3,335,181	2,867,306	(3,095,856)	3,106,631
Analysis of changes:			
<ul style="list-style-type: none"> Operating activities: The net cash inflow from operating activities was mainly due to the slowing increase in inventory in 2019. Non-Operating Activities: Mainly due to the maturity of short-term bills payable and distribution of cash dividends. 			

2. Improvement plan for insufficient liquidity: There is no liquidity insufficiency.
3. Cash liquidity analysis for the coming year

Unit: NT\$1,000

Beginning Cash Balance (A)	Net cash inflow from operating activities (B)	Net cash inflow from non-operating activities (C)	Cash surplus (insufficiency) (A) + (B) + (C)	Remedial measures for cash deficit	
				Investment plan	Financial plan
3,106,631	2,065,038	(1,847,892)	3,323,777	0	0

(1) Analysis of changes in cash flow in the coming year (2020):

- a. Net cash flow from operating activities: The Group's revenue is expected to show marginal growth this year. The Company strives to shorten the cash turnover period, and lower the demand on working capital, in order reduce interest expenses and generate net cash inflow from operating activities.
- b. Net cash flow from non-operating activities: By effectively shortening the cash turnover period, the Company will have excess capital to repay bank loans and improve its financial structure, resulting in cash outflow from non-operating activities.

(2) Remedial measures for expected cash shortfalls and liquidity analysis: The Group has no liquidity insufficiency.

D. Effect of major capital spending on financial position and business operations

The Group has signed a real estate development agreement to acquire real estates which valued RMB11,840 thousand in Hangzhou city for operational use. This is necessary for the Group's operations and the amount is not significant, so it will not have a material effect on financial position and business operations.

E. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

The Company's reinvestments are, in principle, a part of its long-term strategy. In 2019, the reinvestment profit using the equity method was NT\$1,703,123 thousand. The Company will continue using long-term strategy and will not rule out any investment plans with the group that can develop synergistic and complementary effects.

F. Risk analysis and assessment:

1. Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

The Group's financing activities mainly is in US dollars, and focus on bank loans and proceeds from forfaiting account receivables. In recent years, the US dollar LIBOR/TAIFX interest rate fluctuates largely, and the Finance Department observes changes in the financial market and interest rate market, shortens the borrowing period, and adjusts the interest-accruing method (floating or fixed), in order to effectively control interest

expenses. The 2019 revenue grew by 22.6%, with financial costs of NT\$1,953,119 thousand. It was an increase of NT\$254,435 thousand compared with that of 2018, accounting for 0.58% of revenue and a slight decrease from 0.62% in 2018. The Group's risk of interest rate fluctuations is still controlled within a reasonable range, and it has no significant impact on the overall net income after tax.

In terms of exchange rate, the IC components the Group is agented to purchase are mainly priced in USD, and the sales are also denominated in USD. Therefore, the exchange rate changes will affect the revenue and profit of the Group. However, the purchase and sales in USD will offset, the net exposure position in USD is not high. The net foreign currency exchange gain in 2019 was NT\$73,043 thousand, accounting for 0.022% of the overall revenue, which had no significant impact on the overall net income after tax.

In terms of inflation, the Group pays close attention to fluctuations in market prices and maintains good interaction with suppliers and customers to avoid significant impact on the Group due to inflation.

Overall, the Group will adopt a sound and conservative risk management principle in the future, and immediately assess and respond to changes in interest rates and exchange rates and inflation.

2. Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

The Group only focuses on the operations in the industry, and does not engage in high-risk, highly leveraged investments. All investments are carefully evaluated and executed. The Group's engagement in lending and endorsement guarantees is conducted in accordance with the provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees." The purpose of the Group engaging in derivatives trading is to hedge foreign currency denominated financial assets or financial liabilities.

3. Future R&D projects and expected R&D expenses:

The Group is mainly a professional marketing distributor for electronic components. In response to the rapid changes in the semiconductor industry, the only way to create added value of products and business opportunities is through professional division of labor to provide customers with technical support solutions. In the future, the Group will continue to cultivate a high-quality team of field application engineers (FAE) to achieve smooth shipments and enhance industrial competitiveness.

Major R&D projects and expected R&D expenses to be invested in the future

Unit: NT\$

Project name	Current progress	Expected development expenses to be invested	Time of completion	Future keys Impact factors
Light 65W high power and density GaN PD charger and multiple USB connector	2020 Q1 circuit and system design	NT\$1,000,000	2020 Q3	Mechanism design, electromagnetic interference prevention and good circuit design

4. Major changes in government policies and laws at home and broad and the impact on the Group's financial position and business activities:

The group's law, finance, accounting and stock affair specialists are responsible for collecting important information regarding domestic and foreign markets and regulatory changes. In addition, in order to appropriately react to domestic and foreign changes and legal reforms, they consult with professionals whenever it is necessary.

5. Effects of changes in technology and industry on the Group's financial position and business activities, and response measures:

The R&D units and investor relations units of the Group are constantly monitoring the impact of technology and industry changes on the Group. At the same time, the R&D unit has also strengthened the development of high value-added and high-margin products, which has promoted the Group's products to be more diversified and advanced in order to stabilize the source of profit. As of the present time, no technology changes and industry changes have affected the Group's financial position and business activities.

6. Impact of corporate image change on risk management and response measures:

The Group's business philosophy is based on the principle of "professional ethics and sustainable management", adhering to a decent corporate image, implementing sound risk control and achieving outstanding performance. Over the years, the Group has been awarded the Import and Export Excellence Award by the Bureau of Foreign Trade, ranked among large-scale enterprises in Taiwan by the China Credit Information Service, awarded the Benchmarking Award by the Commonwealth Magazine, ranked among the top 1000 Business Survey in Revenue and the Revenue Growth Award by the Business Weekly, etc. At present, due to the Company's good corporate image, there have been no corporate crisis management matters due to change in corporate image.

7. Expected benefits and potential risks of merger and acquisition: None.
8. Expected benefits and potential risks of capacity expansion: The Group is mainly engaged in the semiconductor distributors industry and has no plants and equipment.
9. Risks associated with over-concentration in purchase or sale and response measures:

The Group is primarily engaged in the distribution of semiconductors components. Customers and suppliers are mainly world renowned companies. In order to increase the diversity of customers and suppliers, the Group not only maintains good relationships with both sides, but also aggressively seeks new customers and develops new product lines. As a result, there has been no risk of buyer and seller over-concentration in recent years.

10. Effects and risk of large-scale share transfer or changes in directors, supervisors, or major shareholders with more than 10% shares on the Group, and the response measures:

The Company's directors (no supervisors) and major shareholders with more than 10% shares are very optimistic about the Group's prospects based on the Group's business philosophy and stable profit base. However, each shareholder may make appropriate shareholding planning based on personal investment and tax considerations. However, based on the needs to keep the investing public's confidence, if directors or major shareholders have a large amount of share transfer or change of shareholding, they will fully communicate with the Board of Directors or the management team before they execute the transactions at the appropriate time. Thus, it shall not have adverse effects and risks on the Company's operations and shareholders' equity.

In addition, the Company has not had any a large amount of share transfer or change of the Company's shareholdings from directors (no supervisors) and major shareholders with more than 10% shares in the most recent year and as of the printing date of the annual report.

11. Impact of change in management rights on the Company, associated risk and response measures:

The Group has a strong team of professional executive officers, and changes in management rights do not affect the operations of the Group.

12. For litigious or non-litigious matters, state the major litigation, non-litigation or administrative litigation proceedings that has been determined or is still in litigation of the Group and the Group's directors, supervisors, presidents, de facto responsible person, major shareholders with more than 10% shares, and subordinate companies. If the result may have material impacts on shareholders' equity or stock price, disclose the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings, and the handling as of the printing date of the annual report: None.

13. Other major risks and response measures:

- (1) Information security protection and response

The Group upholds an unrelenting attitude towards information security. The Task Force of the IT Department is responsible for establishing a rigorous information security process and mechanism, including monitoring the information security environment, analyzing and reporting incidents, crisis management and tracking, and continuously improving information quality. In addition to implementing anti-virus software endpoint protection on personal computers and servers, replace firewall devices with application

identification capability to enhance the defense capability against external attacks. Implement an identification module for intranet security, and automatically separate employees from visitors to limit the services that may be accessed. In terms of e-mail system protection, in addition to basic spam protection, an advanced threat protection module is added to protect the user from phishing emails for sensitive data. However, information security is changing rapidly, and hackers may use unknown or newly discovered vulnerabilities to launch zero-day attacks at any time. These attacks may cause damage to the Company's data and disrupt the Company's operations. Therefore, in addition to continuously strengthening the investment in information security equipment, the Company also continues to strengthen data redundancy. These procedures include data snapshots, remote replication and data backups, and remote storage, etc., and regularly performing disaster recovery rehearsal that switches the main data center to the remote backup center, so as to resume Company operations in the shortest time possible in the event of an incident.

In addition, the Group's Auditing Office conducts audits every year in accordance with the "WT Information Security Regulations", "WT Internet Usage Regulations", and "WT Software Usage Regulations" for computer operation and information security inspections, expecting Group employees to comply with information security regulations.

The Group did not have any major information security incidents affecting the Group's operations in the most recent year and as of the printing date of the annual report.

(2) Impact of COVID-19 and response measures

The recent outbreak of COVID-19 has impacted the supply chains of IT products, and may accelerate the transfer and distribution of supply chains. It will also cause forecasts of China and global economic growth for 2020 to be revised downward. The Group will continue to closely monitor changes in the macroenvironment, and flexible adjust the organization and business activities, as well as increase working capital, to respond to various changes.

(3) Supplier strategy adjustments and response measures

The Company will integrate and adjust resources in response to strategy adjustments made by suppliers, e.g., TI intends to cancel its distributors and switch to a directly supply model, in order to accelerate the growth of other suppliers and add competitive new suppliers and products to maximize the Company's benefits.

G. Other important matters: None.

2. Information on affiliated enterprises

Name of enterprise	Date of Establishment	Address	Paid-in capital	Main business and products
Wintech Microelectronics Holding Limited	1998.01.08	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD115,731,160	Holding
Sinyie Investment Co., Ltd.	2004.08.20	12F.-3, No. 171, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 29,000,000	Investment
Milestone Investment Co., Ltd.	2000.10.06	12F.-3, No. 171, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 45,000,000	Investment
Nuvison Technology Inc.	1998.03.30	4F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 282,424,180	Trading of electronic components
AboveE Technology Inc. [Undergoing liquidation]	2000.04.21	12F.-3, No. 171, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 5,000,000	Information software services
Morrihan International Corp.	1981.07.15	4F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 2,837,600,000	Trading of electronic components
Hotech Electronics Corp. [Undergoing liquidation]	1988.07.22	10F-7, No. 386, Shizheng Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	NTD 5,000,000	Trading of electronic components
Maxtek Technology Co., Ltd.	1991.12.16	6F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD702,203,310	Trading of electronic components
Hongtech Electronics Co., Ltd.	2005.09.07	14F-1, No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD115,000,000	Trading of electronic components
Techmosa International Inc.	1989.04.14	8F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	NTD 739,490,700	Trading of electronic components
Asia Latest Technology Limited	2000.09.06	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 1,120,000	Holding
Morrihan International Trading(Shanghai) Co., Ltd.	2003.07.17	Room 702, 7F., No. 20, Lane 1188, Shenhong Road, Minhang District, Shanghai, China	USD 1,330,000	Trading of electronic components
WT Microelectronics(Shanghai)Co.,Ltd.	2005.10.10	Room 801, 7F., No. 20, Lane 1188, Shenhong Road, Minhang District, Shanghai, China	USD 35,150,000	Trading of electronic components
Promising Investment Limited	1999.09.27	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 62,332,506	Investment
WT Technology Pte. Ltd.	2006.12.29	79 Anson Road#07-03 Singapore(079906)	USD 5,000,000	Trading of electronic components
Wintech Microelectronics Ltd.	2000.09.07	60 Market Square, P.O. Box 364, Belize City, Belize	USD 3,000,100	Holding
Wintech Microelectronics Limited	2003.03.18	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 5,000	Holding
Wintech Investment Co., Ltd.	2000.09.07	60 Market Square, P.O. Box 364, Belize City, Belize	USD 21,020,957	Holding
Anius Enterprise Co., Ltd.	2014.3.18	1st Floor,#5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahé, Republic of Seychelles	US\$1	Trading of electronic components
Mega Source Co., Ltd.	2014.3.18	1st Floor,#5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahé, Republic of Seychelles	US\$1	Trading of electronic components
WT Microelectronics(Hong Kong)Limited	1999.11.24	Room 2001E, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, N.T. Hong Kong	USD 12,527,632	Trading of electronic components
WT Technology(H.K.)Limited	2001.01.10	7/F., Shield Industrial Centre, 84-92 Chai Wan Kok Street, Tsuen Wan, N.T., Hong Kong	HKD 1,000,000	Trading of electronic components
Nino Capital Co., Ltd.	2000.09.11	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 311,000	Holding

Name of enterprise	Date of Establishment	Address	Paid-in capital	Main business and products
Rich Web Ltd.	2001.07.03	Jipfa Building, 3 rd Floor, Main Street,Road Town, Tortola, British Virgin Islands	USD 22,974,430	Holding
WT Solomon QCE Limited	1984.10.12	Room 2001E, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, N.T. Hong Kong	HKD 110,000,000	Trading of electronic components
Shanghai WT Microelectronics Co., Ltd.	2001.01.08	Room 1612, No.118 Xinlin Road, Waigaoqiao Free Trade Zone, Shanghai, China	USD 300,000 RMB2,483,040	Trading of electronic components
WT Microelectronics(Shenzhen)Co., Ltd.	2002.04.19	11-12F, Global Digital Building, No. 9 Gaoxin Central Avenue 3rd, Science & Industry Park, Nanshan District, Shenzhen, China	HKD 178,000,000	Trading of electronic components
WT Microelectronics Singapore Pte. Ltd.	2001.10.03	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 1,500,000	Trading of electronic components
WT Microelectronics(Thailand)Limited.	2004.01.15	202, Le Concorde Room No.2003 Building, 20th Floor, Rajdapisek Road Sub-District Huaykwang, District Huaykwang, Province Bangkok	Baht 3,000,000	Trading of electronic components
WT Microelectronics India Private Limited	2019.06.03	10, 2nd and 3d floor,100Ft Road,JP Nagar, 4th Phase, Ward no. 57, BANGALORE, Bangalore, Karnataka, India, 560078	INR7,000,000	Trading of electronic components
WT Microelectronics(Malaysia)Sdn. Bhd.	2003.02.20	60, Sri Bahari Road, 10050, Georgetown, Pulau Pinang, Malaysia	MYR 500,000	Trading of electronic components
BSI Semiconductor Pte. Ltd.	2004.04.28	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 7,544,002	Trading of electronic components
Morrihan Singapore Pte. Ltd.	1992.07.04	2 Serangoon North Avenue 5#05-01 Singapore(554911)	SGD 9,500,000	Trading of electronic components
Wonchang Semiconductor Co., Ltd.	1991.10.01	Business Bldg Chungang Circulation Complex Ra-dong 4416ho, 4503ho,#15, Gyeongin-ro 53-gil, Guro-gu, Seoul, Korea	KRW 535,050,000	Trading of electronic components
WT Technology Korea Co., Ltd.	2007.03.01	3F, Hanwon Bldg., 19, Hwangsaeul-Ro 258 Beon-Gil, Bundang-Gu, Seongnam-Si, Gyeonggi-Do, Korea	KRW 1,990,236,000	Trading of electronic components
MSD Holdings Pte. Ltd.	2008.06.18	2 Serangoon North Avenue 5#05-01 Singapore(554911)	USD 200,000 SGD 1	Trading of electronic components
Techmosa International Holding Ltd.	2009.08.21	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla	USD 1	Holding
Lacewood International Corp.	1995.11.27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD2,950,000	Trading of electronic components
Best Winner International Development Ltd.	2003.09.09	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD600,000	Holding
Maxtek International(HK)Limited	2003.10.20	Room 103, 1/F., Hutchison Logistics Centre, 18 Container Port Road South, Kwai Chung, N.T., Hong Kong	HKD6,000,000	Trading of electronic components

3. Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

4. Industries covered by the operations of all affiliates:

The Group's business is mainly engaged in the trading of electronic components of computer peripherals and the holding business. Please refer to item 2.

5. Information on Directors, Supervisors, and Presidents of affiliates:

Unit: shares; %

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding percentage
Wintech Microelectronics Holding Limited	Director	Cheng, Wen-Tsung	—	—
Maxtek Technology Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	70,220,331	100.00
Hongtech Electronics Co., Ltd.	Chairperson	Maxtek Technology Co., Ltd. Legal person representative: Cheng, Wen-Tsung	11,500,000	100.00
Sinyie Investment Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	2,900,000	100.00
Milestone Investment Co., Ltd.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	4,500,000	100.00
Nuvision Technology Inc.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	28,216,904	99.91
	Director	Legal Person Representative of WT Microelectronics Co., Ltd.: Hsu, Wen-Hung	28,216,904	99.91
	Director	Legal Person Representative of WT Microelectronics Co., Ltd.: Bi-Chun Xu	28,216,904	99.91
	Supervisor	Yang, Hsing-Yu	—	—
AboveE Technology Inc. [Undergoing liquidation]	Supervisor	WT Microelectronics Co., Ltd. Legal person representative: Yang, Hsing-Yu	500,000	100.00
Morrihan International Corp.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	283,760,000	100.00
	Director	Legal Person Representative of WT Microelectronics Co., Ltd.: Hsu, Wen-Hung	283,760,000	100.00
	Director	Legal Person Representative of WT Microelectronics Co., Ltd.: Bi-Chun Xu	283,760,000	100.00
	Supervisor	Legal Person Representative of WT Microelectronics Co., Ltd.: Yang, Hsing-Yu	283,760,000	100.00

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding percentage
Hotech Electronics Corp. [Undergoing liquidation]	Supervisor	Legal person representative of Morrihan International Corp.: Yang, Hsing-Yu	500,000	100.00
Techmosa International Inc.	Chairperson	Legal Person Representative of WT Microelectronics Co., Ltd.: Cheng, Wen-Tsung	73,949,070	100.00
Asia Latest Technoloty Limited	Director	Hsu, Wen-Hung	—	—
Nino Capital Co., Ltd.	Director	Cherry Hsu	—	—
Anius Enterprise Co., Ltd.	Director	Cheng, Wen-Tsung	—	—
Mega Source Co., Ltd.	Director	Cheng, Wen-Tsung	—	—
Rich Web Ltd.	Director	Cherry Hsu	—	—
Morrihan International Trading(Shanghai)Co., Ltd.	Chairperson	Ming Wang	—	—
	Director	Siegman Chen	—	—
	Director	Jerry Chang	—	—
WT Microelectronics (Shanghai)Co., Ltd.	Chairperson	Cherry Hsu	—	—
	Director	Alvin Hsu	—	—
	Director	Li-Fen Chiang	—	—
Promising Investment Limited	Director	Cheng, Wen-Tsung	—	—
WT Technology Pte. Ltd.	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
Wintech Microelectronics Ltd.	Director	Cheng, Wen-Tsung	—	—
Wintech Microelectronics Limited	Director	Cheng, Wen-Tsung	—	—
Wintech Investment Co., Ltd.	Director	Cheng, Wen-Tsung	—	—
WT Microelectronics India Private Limited	Director	Hsu, Wen-Hung	—	—
	Director	MILIND NIVRUTTY SAHANIE	—	—
WT Microelectronics (Hong Kong)Limited	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
	Director	Bi-Chun Xu	—	—
WT Technology(H.K.) Limited	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding percentage
WT Solomon QCE Limited	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
	Director	Bi-Chun Xu	—	—
Shanghai WT Microelectronics Co., Ltd.	Executive Director	Cherry Hsu	—	—
WT Microelectronics (Shenzhen)Co., Ltd.	Executive Director	Cherry Hsu	—	—
WT Microelectronics Singapore Pte. Ltd.	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
WT Microelectronics (Thailand)Limited.	Director	Hsu, Wen-Hung	—	—
	Director	Mr. PREECHA CHITVATANAWONG	—	—
WT Microelectronics (Malaysia)Sdn. Bhd.	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
	Director	LIM SAW IM	—	—
BSI Semiconductor Pte. Ltd.	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
Morrihan Singapore Pte. Ltd.	Director	Cheng, Wen-Tsung	—	—
	Director	Bi-Chun Xu	—	—
Wonchang Semiconductor Co.,Ltd.	Representative Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
	Director	Bi-Chun Xu	—	—
	Supervisor	Yang, Hsing-Yu	—	—
WT Technology Korea Co., Ltd.	Representative Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
	Director	Bi-Chun Xu	—	—
	Supervisor	Yang, Hsing-Yu	—	—
MSD Holdings Pte. Ltd.	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—
Techmosa International Holding Ltd.	Director	Cheng, Wen-Tsung	—	—
Lacewood International Corp.	Director	Cheng, Wen-Tsung	—	—
Best Winner International Development Ltd.	Director	Cheng, Wen-Tsung	—	—
Maxtek International (HK)Limited	Director	Cheng, Wen-Tsung	—	—
	Director	Hsu, Wen-Hung	—	—

6. Affiliated enterprises' operational review:

Unit: NT\$1,000

Name of enterprise	Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings Per Share (NT\$) (After tax)
Wintech Microelectronics Holding Limited	3,474,249	9,289,445	0	9,289,445	0	(403)	499,085	4
WT Microelectronics Singapore Pte. Ltd.	33,375	1,079,557	805,948	273,609	5,210,538	37,396	40,997	27
Milestone Investment Co., Ltd.	45,000	69,580	60	69,520	0	(84)	1,145	0
Promising Investment Limited	1,871,222	3,532,144	0	3,532,144	0	(15)	401,529	6
Wintech Microelectronics Ltd.	90,063	1,625,069	1,550,114	74,955	8,713,001	5,523	(7,471)	(2)
Wintech Investment Co., Ltd.	631,049	1,116,303	0	1,116,303	0	(8)	132,088	6
WT Microelectronics (Hong Kong) Limited	376,080	6,560,956	4,646,045	1,914,911	24,917,065	284,012	198,032	16
Nino Capital Co., Ltd.	9,336	35,897	0	35,897	0	(9)	619	2
Rich Web Ltd.	689,692	708,513	0	708,513	0	0	3,478	0
WT Technology (H.K.) Limited	3,855	109,445	772	108,673	21,354	568	1,894	2
Shanghai WT Microelectronics Co., Ltd.	9,006	43,536	7,718	35,818	96,996	(813)	631	0
WT Microelectronics (Shenzhen)Co., Ltd.	686,190	1,387,208	678,795	708,414	2,936,368	46,915	3,472	0
WT Microelectronics (Malaysia)Sdn., Bhd.	3,652	4,146	437	3,709	7,276	168	(18)	0
Wintech Microelectronics Limited	150	6	0	6	0	0	0	0
WT Microelectronics (Thailand)Limited.	3,003	3,668	523	3,145	9,413	(770)	(774)	(3)
WT Microelectronics India Private Limited.	3,007	4,494	1,343	3,151	6,325	150	147	0
Sinyie Investment Co., Ltd.	29,000	46,895	2,076	44,819	0	(1)	(1)	0
Nuvision Technology Inc.	282,424	3,897,928	3,074,187	824,741	13,147,353	458,594	340,734	12
AboveE Technology Inc.	5,000	10,467	61	10,406	0	(93)	902	2
WT Microelectronics (Shanghai)Co., Ltd.	1,055,203	4,821,601	3,737,469	1,084,132	7,545,249	150,831	35,154	0
WT Technology Pte. Ltd.	150,100	2,886,934	751,951	2,134,983	11,043,276	31,014	134	0
Maxtek Technology Co., Ltd.	702,203	3,649,791	2,102,974	1,546,817	11,466,466	288,952	206,002	3
Hongtech Electronics Co., Ltd.	115,000	1,111,584	844,415	267,169	3,350,477	98,738	68,672	6
Best Winner International Development Ltd.	18,012	20,359	0	20,359	0	(99)	(122)	(20)

Name of enterprise	Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings Per Share (NT\$) (After tax)
Lacewood International Corp.	88,559	728,666	169,249	559,417	2,495,902	11,401	4,609	156
Maxtek International (HK)Limited	23,130	18,014	113	17,900	0	(193)	(146)	0
WT Solomon QCE Limited	424,050	4,686,744	4,141,363	545,381	13,790,295	224,400	197,522	2
Morrihan International Corp.	2,837,600	17,375,912	13,698,666	3,677,246	116,820,713	883,129	490,769	2
Hotech Electronics Corp.	5,000	11,615	1,642	9,973	0	(31)	(27)	0
Asia Latest Technology Limited	33,622	44,597	0	44,597	0	0	184	0
Morrihan International Trading(Shanghai)Co., Ltd.	39,927	32,616	(11,973)	44,589	0	(112)	183	0
BSI Semiconductor Pte. Ltd.	167,854	512,177	1,232	510,945	0	(110)	15,714	2
Morrihan Singapore Pte. Ltd.	211,375	869,372	620,136	249,236	3,162,478	49,686	42,351	4
Wonchang Semiconductor Co., Ltd.	13,836	303,241	120,993	182,248	652,806	17,043	8,848	165
WT Technology Korea Co., Ltd.	51,468	1,474,038	868,355	605,683	4,316,093	125,813	94,469	24
Techmosa International Inc.	739,491	3,268,844	1,920,971	1,347,873	7,380,566	205,197	148,412	2
Techmosa International Holding Ltd.	0	17,473	0	17,473	0	(20)	364	364,447
MSD Holdings Pte. Ltd.	6,004	92,008	338	91,670	103	(12)	667	3
Anius Enterprise Co., Ltd.	0	0	0	0	0	0	0	0
Mega Source Co., Ltd.	0	0	0	0	0	0	0	0

Note: The financial statements have been audited or reviewed by an independent auditor in 2019; the balance sheet is translated using the spot exchange rate at year-end, while P&L is translated using the YTD average spot exchange rate.

7. Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement: Please refer to page 150 to page 242.

8. Affiliation report: N/A.

B. Private placement of securities in the most recent year and as of the printing date of the annual report:

Private Placement of Negotiable Securities

Item	Date of issue: Not yet issued (Note)	Date of issue: Not yet issued (Note)	Date of issue: Not yet issued (Note)
Type of privately placed negotiable securities	Class B preferred shares	Class C preferred shares	Common shares
Date and amount approved in the shareholders' meeting	Not yet resolved by the shareholders' meeting	Not yet resolved by the shareholders' meeting	Not yet resolved by the shareholders' meeting
Basis and reasonableness of price setting	<p>1. The price of preferred shares in the private placement shall not be lower than 80% the theoretical price, which takes into consideration the rights in the terms of issuance and selects a suitable valuation model for calculating stock price. The model must cover and give consideration to all rights included in the terms of issuance. If there are any rights that were not taken into consideration in the model, the rights that were not considered shall be excluded from the terms of issuance.</p> <p>2. A proposal will be made to the shareholders meeting to authorize the Board of Directors to decide the actual date of pricing and issue price of preferred shares in this private placement, withing the percentage decided by the shareholders meeting, based on the market situation and the selected strategic investors.</p> <p>3. The private offering price above complies with the Directions for Public Companies Conducting Private Placements of Securities. Furthermore, considering the limitations on the number of privately placed shares that may be transferred and who it may be transferred to within three years after the privately placed shares are delivered, and that an application may not be subsequently submitted to the competent authority for public offering of the shares within three years. Hence, the public offering price should be reasonable.</p>		<p>1. Basis for setting the private offering price for common shares shall not be lower than 80% of following two bases, whichever is higher on the pricing date.</p> <p>(1) The simple arithmetic mean of the closing price for common shares over the past 1, 3, or 5 business days preceding the price-setting date after deducting distribution of stock and cash dividends and adding reversed dividends for capital reduction.</p> <p>(2) The simple arithmetic mean of the closing price for common shares over the past 30 business days preceding the price-setting date after deducting distribution of stock and cash dividends and adding reversed dividends for capital reduction.</p> <p>2. A proposal will be made to the shareholders meeting to authorize the Board of Directors to decide the actual date of pricing and issue price of common shares in this private placement, withing the percentage decided by the shareholders meeting, based on the market situation and the selected strategic investors.</p> <p>3. The private offering price above complies with the Directions for Public Companies Conducting Private Placements of Securities. Furthermore, considering the limitations on the number of privately placed shares that may be transferred and who it may be transferred to within three years after the privately placed shares are delivered, and that an application may not be subsequently submitted to the competent authority for public offering of the shares within three years. Hence, the public offering price should be reasonable.</p>
Method for selecting designated persons	Limited to specific persons prescribed in Letter (2002) Tai-Cai-Zheng-1-Zi No. 0910003455 from the Financial Supervisory Commission dated June 13, 2002 in accordance with Article 43-6 of the Securities and Exchange Act.		
Reason the private placement is necessary	Compared with public offering, private placement prohibits the transfer of shares within three years, which ensures the long-term relationship between the Company and strategic partners. Authorizing the Board of Directors to issue private placements based on the Company's operational requirements will effectively increase the mobility and flexibility of raising capital.		
Date of payment was completed	Not yet issued	Not yet issued	Not yet issued
Information on Subscribers	Subscribers have not yet been determined	Subscribers have not yet been determined	Subscribers have not yet been determined

Actual subscription (or conversion) price	Not yet issued	Not yet issued	Not yet issued
Difference between the actual subscription (or conversion) price and reference price	Not yet issued	Not yet issued	Not yet issued
Impact of private placement on shareholders	Not yet issued	Not yet issued	Not yet issued
Utilization of funds from private placement and project implementation progress	Not yet issued	Not yet issued	Not yet issued
Benefits obtained from the private placement	Not yet issued	Not yet issued	Not yet issued

Note: The private placement of class B and C preferred shares and common shares was approved by the Board of Directors on February 15, 2020. However, it has not yet been resolved by the shareholders' meeting.

C. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

D. Other supplemental information: None.

E. Supplementary information disclosure:

The Group's Key Performance Indicators:

1. Financial indicators:

Indicator	Formula	Target KPI	2018	2019
Debts Ratio	Total Liabilities / Total Equity	<275%	330%	332%
Current Ratio	Current Assets / Current Liabilities	>110%	125%	127%

2. Performance indicators:

Indicator	Formula	Target KPI	2018	2019
Average days of collection	365 / Average Collection Turnover	90	47	45
Average days of sales	365 / Average Inventory Turnover	60	56	52

IX. Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: Please refer to the important resolutions of the shareholders' meeting and the Board of Directors meeting in the most recent year and as of the printing date of the annual report.

WT Microelectronics Co., Ltd.

Chairman: Cheng, Wen-Tsung