Stock Code:3529

eMemory Technology Inc.

2018 Annual Report

Annual report is available at Market Observation Post System:
http://mops.twse.com.tw/mops/web/index

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Notice to Readers

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

1. Spokesperson
   Name：Michael Ho
   Title：Vice President
   Tel：886-3-560-1168
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   Acting Spokesperson
   Name：Anita Chang
   Title：Vice President
   Tel：886-3-560-1168
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2. eMemory Address and Tel Number
   Address：Room 305, No. 47, Yuanqu 2nd Road, Hsinchu Science Park, Hsinchu City, Taiwan
   Jhubei Office Address：8F, No. 5, Tai-Yuan 1st Street, Jhubei City, Hsinchu County, Taiwan
   Tel：886-3-560-1168

3. Stock Transfer Agent
   Company：KGI Securities Co., Ltd. Brokerage Registry and Transfer Services Department
   Address：5F, No.2, Sec.1, Chongqing S. Road, Taipei City, Taiwan
   Tel：886-2-2389-2999
   Website：http:// www.kgieworld.com.tw

4. Independent Auditor
   Accounting Firm：Deloitte & Touche
   Auditors：Yih-Shin Kao and Su-Li Fang
   Address：20F, No. 100, Songren Road, Taipei City, Taiwan
   Tel：886-2-2725-9988
   Website：http://www.deloitte.com.tw

5. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities：None

6. eMemory Website：http://www.ememory.com.tw

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I. Letter to Shareholders

Dear Shareholders,

In 2018, although the demand for smart phone slows down and the uncertainty of trade war between China and US, eMemory is continuous to move forward. The revenue and net income are still record high.

In the following we will report our operation results of 2018.
Operation results: The overall revenue is NT$ 1,476.52 million, license fee contribute NT$ 449.81 million which is accounts for 30.5% of revenue, where as royalty contribute NT$ 1,026.71 million which is accounts for 69.5% of the revenue. As compared to 2017, the license fee grows 15.9% and the royalty grows 4.0%. The royalty from NeoFuse technology grows 239.5% as it penetrates into advanced processes and non-smart phone market. The revenue of NeoEE/NeoMTP grows 20.2% as more power management ICs and sensors are required in many different applications. In addition, our chip fingerprint technology, NeoPUF, has begun to generate revenue which is very exciting to us.
Financial results: Our operating profit is NT$ 672.74 million and grows 11.6% as compared to 2017, and net income is NT$ 613.11 million and grows 2.4% yearly, the earning per share is NT$ 8.13 which grows 2.9% as compared to 2017.
The net cash flow is reduced by NT$ 361.68 million due to buying back shares from the market.

eMemory has developed various new embedded non-volatile memory process platforms to meet the demands of different applications among them:
The technology platforms which are ready for manufacturing include 40 nm to 28 nm OTP and 0.13um MTP in BCD process with Automotive grade. The production in 40 nm sharply increases, and we expect 28nm will follow soon.

In the new technology development, we continue developing more OTP platforms from 28 nm to 7 nm. We are now the only IP provider to provide 7 nm OTP. In addition, we continue to develop MTP in BCD to provide solutions for Power Management applications. Besides the progress in OTP and MTP, our new disruptive innovation in PUF (Physical Unclonable Function) has also been verified in 7 nm, which is a very significant milestone for eMemory to move into security era.
Due to large quantity of OTP & MTP process platforms, in 2018 we have more than 400 design licenses and more than 4 millions of wafers manufactured using our technologies.

Looking forward in 2019 and beyond, our IPs will not only progressively been used in the applications of OLED/LCD Driver IC, TDDI, PMIC, Type-C, Fingerprint Controller, DTV, Surveillance and STB IC's, but also penetrating into the applications of DRAM, under glass fingerprint sensors, wireless charger, Security MCU, FPGA and connectivity IC's. We will also expect the applications in more chips which need the security functions of PUF.

eMemory has become world top 10 IP company, and is the number one in the technology applications. This competence comes from our team work, innovations, higher service quality, and reliable and efficient operations. We are very confident that our technologies will be continuity developed with foundries, our IP's will continue to add values to our customers, and our disruptive technology, NeoPUF, will lead us to expand our business greatly in the emerging markets, such as IoT, AI, Autonomous driving and Blockchain.

At last not the least, we thank you all for the long term support to eMemory. We will continue to move forward to make eMemory become world leading technology and IP company.

Chairman:	President:	Accounting Officer:
Charles Hsu	Rick Shen	Teresa Kuo

II. Company Profile

2.1 Date of Incorporation: Sep. 2, 2000

2.2 Corporate Milestones

Year	Milestones
Aug. 2000	eMemory founded as eMemory Technology Inc.
Mar. 2001	eMemory receives approval to move into Hsinchu Science Park
Sep. 2001	Wholly owned subsidiary Lotus Glade Investment Inc. founded
Apr. 2002	eMemory licenses technology to Mitsubishi Electric
Jul. 2002	eMemory moves into Hsinchu Science Park
Nov. 2002	eMemory licenses technology to Chartered Semiconductor
Apr. 2003	eMemory licenses technology to Renesas Technology
Apr. 2003	eMemory announces NeoBit applications for ROM replacement in MCU
Sep. 2003	eMemory licenses technology to Taiwan Semiconductor Manufacturing Company (TSMC)
Oct. 2003	eMemory announces NeoBit applications for electrical fuse
Jan. 2004	eMemory licenses technology to Chartered Semiconductor
Jun. 2004	eMemory announces NeoBit applications for trimming circuit in LCD driver
Aug. 2004	eMemory announces NeoBit applications for RFID
Oct. 2004	eMemory announces NeoBit prototype in 0.11um technology for DRAM redundancy
Oct. 2004	eMemory provides 0.18um NeoBit OTP/MTP solutions for LCD driver IC
Jan. 2005	eMemory announces NeoBit applications for speech IC
Jan. 2005	eMemory licenses technology to Vanguard International Semiconductor Corporation (VIS)
Mar. 2005	eMemory announces NeoBit prototype in 0.13um process
Apr. 2005	eMemory licenses technology to Ricoh
Apr. 2005	eMemory licenses technology to Powerchip Semiconductor Corporation (PSC)
Jun. 2005	Production of NeoBit reaches 10,000 wafers
Oct. 2005	NeoBit NVM wins the National Invention and Creation Gold Medal Award
Oct. 2005	eMemory licenses technology to Toshiba
Mar. 2006	eMemory licenses technology to OKI
Mar. 2006	eMemory licenses technology to NJRC
Apr. 2006	Advance NeoFlash embedded non-volatile memory technology is qualified
Apr. 2006	eMemory licenses technology to Silterra
Jul. 2006	eMemory provides high voltage NeoBit processes and improves wafer yield and performance
Oct. 2006	NeoBit production reaches 100,000 wafers

Year	Milestones
Dec. 2006	eMemory wins Industrial Innovation Award
Mar. 2007	Production of NeoBit reaches 150,000 wafers
Mar. 2007	eMemory listed in Taiwan Emerging Market: ticker number #3529
Jul. 2007	eMemory customers adopt 0.13um NeoBit in mass production
Jul. 2007	eMemory licenses technology to NECEL
Sep. 2007	eMemory licenses technology to Magnachip
Oct. 2007	Production of NeoBit reaches 300,000 wafers
Nov. 2007	NeoBit qualified in 0.13um high-voltage process for LCD driver applications
Feb. 2008	Production of NeoBit reaches 400,000 wafers
Feb. 2008	Expanded NeoBit non-volatile memory cooperation in 0.18um logic process platform with Magnachip
May 2008	eMemory licenses technology to Fujitsu Microelectronics Limited
May 2008	eMemory licenses technology to United Microelectronics Corporation (UMC)
Jun. 2008	eMemory licenses technology to Dongbu HiTek
Sep. 2008	Expanded non-volatile memory cooperation in high-voltage and logic process platforms with Magnachip
Oct. 2008	eMemory wins Industrial Technology Advancement Award and National Invention and Creation Award
Nov. 2008	0.13um high-voltage NeoBit process for LCD driver applications goes into mass production
Dec. 2008	NeoFlash qualified in 0.18um ULL process
Dec. 2008	Production of NeoBit reaches 900,000 wafers
Jan. 2009	NeoFlash in 0.13um process demonstrates ultra-low power program/erase performance
Apr. 2009	eMemory licenses technology to Mitsumi Electronic
May 2009	eMemory announces NeoROM, a low-cost OTP mass production solution
Jul. 2009	eMemory's NeoBit OTP production reaches 1 million wafers; IP solutions for 65 nm processes launched
Jul. 2009	eMemory licenses technology to Mitsumi Electronic
Sep. 2009	eMemory breaks new ground launching industrial-grade embedded NVM for power management solution
Nov. 2009	Successful development of high-density OTP in advanced high-voltage process to meet requirement for larger memory when LCD driver and touch panel applications are combined in one chip
Mar. 2010	eMemory collaborates with MagnaChip to offer 0.11um high-voltage embedded NVM technology
Mar. 2010	eMemory announces NeoEE prototype in 0.18um process technology

Year	Milestones
May 2010	eMemory responds to market needs by offering complete set of multiple-time programmable (MTP) embedded NVM solutions
Jun. 2010	NeoEE in 0.18um process demonstrates ultra-high endurance (100,000) performance
Jul. 2010	eMemory announces industry’s first Green High Density OTP solution
Jul. 2010	eMemory becomes the first automotive-grade OTP provider to automotive IC makers
Oct. 2010	eMemory wins TSMC’s 2010 IP Partner Award
Nov. 2010	eMemory is honored as one of Asia’s 200 Best Under A Billion by Forbes
Nov. 2010	eMemory holds the first Embedded Tech Forum
Dec. 2010	eMemory NeoFlash offers an unrivalled, highly reliable embedded flash solution for automotive electronic applications
Jan. 2011	eMemory lists on Taipei Exchange (GreTai Securities Market) on 24 January 2011
Mar. 2011	Volume production of cost-effective OTP solution for MCU application with GSMC
Mar. 2011	Use of touch panel controllers and energy-saving devices proliferates, leading to significant growth in NeoFlash applications
Apr. 2011	eMemory's NeoEE verified, targets NFC applications
Jun. 2011	eMemory's NeoBit OTP qualified at 12" foundry in 80nm technology
Jul. 2011	eMemory offers eNVM IP in TSMC 80nm high-voltage technology
Aug. 2011	eMemory licenses technology to Shanghai Huali Microelectronics Corporation (HLMC)
Sep. 2011	eMemory licenses technology to GSMC
Oct. 2011	eMemory honored again as one of Asia's 200 Best Under A Billion by Forbes
Oct. 2011	eMemory wins TSMC’s 2011 IP Partner Award
Oct. 2011	eMemory and Grace Semiconductor expand partnership, developing diverse solutions and advanced processes
Nov. 2011	eMemory NeoBit silicon IP advances in 3D image application
Dec. 2011	eMemory masters developing trends in technology and expands into advanced technology
Dec. 2011	NeoBit in 65nm is qualified in a Tier 1 foundry and enters mass production
Jan. 2012	eMemory licenses technology to Vanguard
Mar. 2012	eMemory announces ultra-low power OTP solution in low-cost process platform
Mar. 2012	eMemory and HLMC collaborate on high-voltage advanced fabrication platform
Mar. 2012	eMemory licenses technology to Mitsubishi Electronic
May 2012	eMemory’s NeoBit silicon IP to play important role in MEMS applications

Year	Milestones
Jun. 2012	eMemory licenses technology to TSMC
Jul. 2012	eMemory's embedded MTP solution- NeoEE passes verification in 65nm process node
Sep. 2012	eMemory introduces new NeoMTP technology
Oct. 2012	eMemory licenses technology to Magnachip
Oct. 2012	eMemory receives TSMC’s IP Partner Award for the third straight year
Nov. 2012	eMemory licenses technology to NXP
Nov. 2012	NeoFlash in 0.11um logic process qualified and enters mass production, demonstrating the best solution for touch-panel applications
Dec. 2012	eMemory’s eNVM silicon IP global deployment contributes to the growth of royalty income
Dec. 2012	eMemory NeoEE silicon IP passes verification in SMIC 0.18um logic process
Dec. 2012	MagnaChip joins eMemory in developing leading-edge 0.18um EEPROM IP
Jan. 2013	eMemory's NeoEE silicon IP qualified for 2.4GHz RF product application
Jan. 2013	Taiwan Corporate Governance Association accredited eMemory with the Certificate of Corporate Governance System Evaluation – Version CG6007
Mar. 2013	Production of eMemory's eNVM silicon IPs reaches 5 million wafers
Mar. 2013	eMemory licenses technology to UMC
Mar. 2013	eMemory NeoEE Silicon IP passes verification in TSMC 0.16um mixed-signal process
May 2013	eMemory develops NeoFuse—an innovative anti-fuse eNVM technology
Jun. 2013	eMemory and UMC expand non-volatile memory cooperation to advanced 28nm process
Jun. 2013	eMemory NeoEE silicon IP passes qualification in TSMC 0.16um mixed-signal process
Aug. 2013	eMemory NeoEE silicon IP passes qualification in SMIC 0.18um logic process
Aug. 2013	eMemory offers mature Full-HD SDDI solutions in advanced 55nm high-voltage process
Aug. 2013	eMemory ranks as 「The Top 50 TWSE/GTSM Listed Companies with Most Valuable US Patents」 according to the cooperatives evaluation result by Institute for Information Industry and Ocean Tomo
Aug. 2013	eMemory's NeoEE technology advances into BCD process platform, augmenting P-Gamma silicon IP product range and accelerating integration with power management ICs
Sep. 2013	eMemory's NeoMTP technology advances in extensive Touch Panel MCU and TDDI applications

Year	Milestones
Sep. 2013	eMemory receives SMIC's IP Partner Award
Oct. 2013	eMemory receives TSMC's IP Partner Award for the fourth year in a row
Oct. 2013	eMemory NeoEE silicon IP passes verification in HHGrace 0.153um logic process
Oct. 2013	eMemory NeoEE silicon IP passes verification in UMC 0.3m BCD process
Oct. 2013	eMemory NeoEE silicon IP passes verification in UMC 0.18m BCD process
Dec. 2013	eMemory and SMIC expand partnership in eNVM technical development
Dec. 2013	MagnaChip and eMemory offer 0.18um EEPROM silicon IP
Jan. 2014	eMemory NeoMTP silicon IP passes verification in UMC 0.11um logic process
Jan. 2014	eMemory NeoEE silicon IP passes qualification in HHGrace 0.11um 1.5V/3.3V low-power process
Feb. 2014	eMemory expands NeoFlash's industrial applications
Feb. 2014	eMemory NeoFuse silicon IP passes qualification in UMC 40nm low-power process
Feb. 2014	eMemory NeoEE silicon IP passes qualification in UMC 0.3m BCD process
Feb. 2014	eMemory offers mature Full-HD SDDI solutions in advanced 55nm high-voltage process
Mar. 2014	eMemory's silicon IP NeoFuse received CA certification for advanced security applications
Apr. 2014	eMemory's silicon IP introduced to electro-medical applications
Apr. 2014	eMemory NeoEE silicon IP passes qualification in UMC 0.18m BCD process
Apr. 2014	eMemory publishes first book by eNVM IP providers: LOGIC NON-VOLATILE MEMORY－NVM Solutions from eMemory
Jun. 2014	eMemory NeoEE silicon IP passes verification in HHGrace 0.18m 3.3V cost-effective process
Jun. 2014	eMemory NeoFuse silicon IP passes qualification in SMIC 55nm low-power process
Jun. 2014	eMemory ranked A+ in R.O.C. Securities & Futures Institute's 11th Information Disclosure and Transparency Evaluation of Public Companies Ranking
Jul. 2014	eMemory's eNVM silicon IP NeoFuse contributes to revenue growth momentum
Jul. 2014	eMemory NeoEE silicon IP expands wireless communication ICs applications
Aug. 2014	eMemory provides tailor-made MTP solutions in low-cost Green process platforms, develops diverse MCU product range
Sep. 2014	eMemory receives again SMIC's IP Partner Award
Sep. 2014	eMemory receives TSMC's IP Partner Award for five consecutive years
Sep. 2014	eMemory NeoMTP silicon IP passes qualification in UMC 0.11um logic process
Sep. 2014	eMemory NeoEE silicon IP passes verification in HHGrace 0.18m logic process

Year	Milestones
Sep. 2014	eMemory NeoFuse silicon IP passes qualification in TSMC 28nm HKMG 2.5V process
Oct. 2014	eMemory NeoEE silicon IP advances into automotive electronics applications
Nov. 2014	eMemory offers IP industry-leading hybrid MTP silicon IP
Nov. 2014	eMemory NeoFuse silicon IP passes qualification in TSMC 28nm low-power process
Dec. 2014	eMemory NeoFuse silicon IP passes qualification in TSMC 55nm low-power process
Dec. 2014	eMemory NeoFuse silicon IP passes qualification in TSMC 55nm high-voltage process
Jan. 2015	eMemory NeoFuse silicon IP passes qualification in UMC 55nm high-voltage process
Jan. 2015	eMemory NeoFuse silicon IP passes verification in SMIC 28nm low-power process
Jan. 2015	eMemory NeoEE silicon IP passes verification in HHGrace 0.13um 1.5V/3.3V low-power process
Feb. 2015	Fingerprint application opens up market demands for eMemory’s logic NVM IP solutions
Feb. 2015	eMemory NeoFuse silicon IP passes qualification in SMIC 40nm low-power process
Feb. 2015	eMemory NeoFuse silicon IP passes qualification in GLOBALFOUNDRIES 28nm low-power process
Mar. 2015	Andes and eMemory announce new IC security solutions for IoT security applications
Mar. 2015	eMemory NeoFuse silicon IP passes qualification in TSMC 40nm low-power process
Apr. 2015	eMemory ranked A++ in R.O.C. Securities & Futures Institute’s 12th Information Disclosure and Transparency Evaluation of Public Companies Ranking
Apr. 2015	eMemory was ranked TOP 20% in the 2014 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
May 2015	eMemory NeoFuse technology is verified in 16nm FinFET process
May 2015	eMemory NeoFuse silicon IP passes verification in VIS 0.15um 1.8V/13.5V process
Jun. 2015	eMemory NeoEE silicon IP passes verification in GLOBALFOUNDRIES 0.18um 3.3V MCU process
Jun. 2015	eMemory launches ultra-low power MTP silicon IP for IoT applications
Jun. 2015	eMemory NeoFuse silicon IP passes verification in TSMC 0.13um BCD process
Jun. 2015	eMemory NeoFuse silicon IP passes verification in UMC 55nm CMOS-image

Year	Milestones
	sensor process
Jul. 2015	eMemory offers logic NVM solutions to enhance IC performance for camera modules
Jul. 2015	eMemory NeoFuse silicon IP passes verification in GLOBALFOUNDRIES 55nm high-voltage process
Jul. 2015	eMemory NeoFuse silicon IP passes verification in PowerChip 63nm DRAM process
Aug. 2015	eMemory integrates OTP and MTP to offer industry-leading Combo and Hybrid silicon IPs
Aug. 2015	eMemory NeoFuse silicon IP passes qualification in UMC 28nm low-power process
Aug. 2015	eMemory NeoFuse silicon IP passes verification in TSMC 16nm FinFET Plus process
Aug. 2015	eMemory NeoMTP silicon IP passes verification in UMC 80nm high-voltage process
Sep. 2015	eMemory receives again SMIC's IP Partner Award
Sep. 2015	eMemory receives TSMC's IP Partner Award for six consecutive years
Sep. 2015	eMemory announces the first verified NeoFuse OTP IP in 16nm FinFET Plus process
Jan. 2016	eMemory's NeoFuse Technology: A Major Advance in Automotive Panel Driver IC
Mar. 2016	eMemory Announces Innovative Solution for Cryptographic Security
Mar. 2016	eMemory Announces Industry's First 16nm FinFET Compact (FFC) Process Verified OTP Silicon IP
Mar. 2016	eMemory NeoEE silicon IP passes qualification in GLOBALFOUNDRIES 0.18um Green process
Apr. 2016	eMemory was ranked TOP 20% in the 2015 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
Apr. 2016	eMemory Launches Enhanced NeoFuse IP for IoT Applications
May 2016	eMemory NeoFuse IP Qualified in 40nm EHV Process
Jul. 2016	eMemory's NeoEE Solution Facilitates Module Integration for Fingerprint Applications
Jul. 2016	eMemory Announces Comprehensive NVM Solution in 0.13um BCD Process for PMIC Applications
Aug. 2016	eMemory Unveils EcoBit Technology for RFID and NFC Applications
Sep. 2016	eMemory once again receives TSMC's IP Partner Award-the only eNVM Silicon Intellectual Property (Silicon IP) supplier in the world to receive the honor for seven consecutive years

Year	Milestones
Oct. 2016	eMemory Receives SMIC Best IP Partner Award for 4th Year in a Row
Nov. 2016	eMemory’s NeoFuse IP Verified in TSMC 10nm FinFET Process
Feb. 2017	eMemory Qualified NeoFuse in TSMC 16FFC Process
Mar. 2017	eMemory’s NeoFuse Implemented in HV Process for OLED Application
Apr. 2017	Over 100,000 Wafers Embedded with eMemory’s NeoEE IP Shipped
Apr. 2017	eMemory was ranked TOP 20% in the 2016 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
May 2017	eMemory Taps into IoT Markets with its Game-Changing Security IP
Jul. 2017	eMemory Announces Validation of On-Chip Security IP on UMC Advanced Nodes
Sep. 2017	eMemory receives TSMC’s IP Partner Award for eight consecutive years
Oct. 2017	Over 18,000,000 Wafers Embedded with eMemory’s IP Shipped
Dec. 2017	eMemory receives Hsinchu Science Park Bureau Research and Development Achievement Award
Dec. 2017	eMemory receives Hsinchu Science Park Bureau Innovative Product Award
Apr. 2018	Over 20 Million Wafers Embedded with eMemory’s IP Shipped
Apr. 2018	eMemory was ranked TOP 20% in the 2017 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Aug. 2018	eMemory's 2nd Generation NeoMTP Enables a Wide Range of Power Management Applications on BCD Process
Oct. 2018	NeoFuse is qualified on Fully-Depleted Silicon On-Insulator (FD-SOI) process technology
Oct. 2018	eMemory receives TSMC’s IP Partner Award for 9 consecutive years
Feb. 2019	eMemory Receives ISSCC Award for Breakthrough Security Technology
Mar. 2019	eMemory receives National Industrial Innovation Award

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart

3.1.2 Major Corporate Functions

Department		Functions
Chairman Office		Set up the target for the Company, management strategy and planning of the Company, strategy and planning for the long term development of the Company, strategy and planning for technology development, investors relations etc.
President Office		1. Product strategy and managing the business of the Company. 2. Provide managers for analysis strategy and execution of business operation and product planning, according to the Company's need for business operation.
Audit Office		Establish and correct the internal control system, plan and execute the audit of internal control and follow up the improvement.
Management & Process Integration Department		According to the requirements of International standard to establish the quality management system and ensure the system is effectively operated. From the viewpoint of process integration to setup the project and management system.
Finance Department		Funds management, bank transactions, accounting processing, production and analysis of financial statements, financial forecasting and control, stock-related matters.
Administration Center	Human Resource Department	Human resources management and organizational development.
	Information Technology Department	Information system framework, information system operation and development, information security management.
	Legal Affairs Department	Legal affairs and contract management/contract drafting, review and negotiation /other general legal matters.
Business Group I	Product Division I	Managing the silicon IP development project of NeoBit embedded floating gate technology for One-Time Programmable (OTP) non-volatile memory.
	Product Division II	Managing the silicon IP development project of NeoFuse embedded Antifuse technology for One-Time Programmable (OTP) non-volatile memory and NeoPUF technology etc.
	Product Division III	Managing the silicon IP development project of security key management and relevant security encryption circuits.
Business Group II	Product Division IV	Managing the silicon IP development project of Multiple-Time Programmable (MTP) non-volatile memory (NeoEE, EcoBit, ReRAM… etc.).
	Product Division V	Managing the silicon IP development project of Multiple-Time Programmable (MTP) non-volatile memory (NeoMTP, MagnaChip EEPROM, Neoflash … etc.).
Engineering Center	Product Integration Division	Test & verification for product development, backend engineering outsourcing for IP product.

Department		Functions
Engineering Center	IP Integration Division	Layout engineering of product development.
	Integration Design Division	CAD environment maintenance for product development, development of design automation and IP database system.
Sales & Marketing Center	Sales Department	Sell products and develop/maintain relationships with customers.
	Customer Engineering Department	1. Provide technical support including the delivery of specification and IP usage relevant information and the assistance in customer production. 2. Cooperate with sales team to promote eMemory's solutions.
	Customer Service Department	Execute and manage sales flow, analysis sales and revenue, improve system working flow and manage key items.
	Market Development Department	1. Have product marketing and promotion for major application and deal license agreement for strategic technology and platforms. 2. Organize the trade shows/events and provide the promotion relevant materials. 3. Make the marketing strategies and propose business models, analyze the market and applications of embedded NVM IP, advise on the deployment of technology platform for new product applications, plan and manage product strategy projects.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

04/15/2019；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	Charles Hsu	Male	06/14/2018	3	08/08/2000	1,629	2.15	1,629	2.15	1	0	0	0	1.Ph.D. in Electrical Engineering, University of Illinois, Urbana-Champaign, U.S.A. 2. Researcher, IBM T.J. Watson Research Center, NY, U.S.A. 3.Chairman, Institute of Electronics Engineering, National Tsing Hua University	1. Chairman, iMQ Technology Inc. 2. Director, PowerFlash Technology Corp. 3. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Inc. 4. Independent Director & Remuneration Committee Member, Materials Analysis Technology Inc. 5. Director, National Applied Research Laboratories 6. Executive Director, Taipei Computer Association	Representative of How-Han Investment Corporation	Teresa Cheng	Spouse

04/15/2019；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Mu-Chuan Hsu	Male	06/14/2018	3	05/07/2003	1,273	1.68	1,273	1.68	681	0.90	0	0	1. Bachelor Degree in Medicine, China Medical University 2. Attending Physician, Department of Obstetrics & Gynecology, National Taiwan University Hospital 3. Superintendent, North Town Women & Children Hospital	1. Director, iMQ Technology Inc. 2. Attending Physician, Fu Jen Catholic University Hospital	None	None	None
Director	R.O.C.	How-Han Investment Corporation Representa-tive：Teresa Cheng	Female	06/14/2018	3	06/19/2012	1,132	1.49	1,132	1.49	0	0	0	0	1. Master of Science, Computer Science and Applied Mathematics, University of Illinois at Urbana-Champaign, U.S.A. 2. Bachelor Degree in Economics, National Taiwan University 3. Chief Information Officer, Macronix International Co., Ltd. 4. Department Manager, Software Development, BDC Corporation 5. Associate Research Fellow, Manufacturing Information System, North American Philips Labs., NY, U.S.A. 6. Software Engineer, IBM T.J. Watson Research Center, NY, U.S.A.	1.Chairman, How-Han Investment Corporation 2. Director, iMQ Technology Inc. 3. Supervisor, Uniband Electronic Corporation 4. Vice President, HeFeChip Corporation Limited, Shanghai	Chairman	Charles Hsu	Spouse

04/15/2019；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	How-Han Investment Corporation Representative： Jason Hsu	Male	06/14/2018	3	06/14/2018	1,132	1.49	1,132	1.49	0	0	0	0	1. Master of Computer Science, Stevens Institute of Technology, U.S.A. 2. Chairman / General Manager, IBM Taiwan 3. CEO, GE Taiwan	1. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 2. Professor, EMBA / MBA, National Tsing Hua University 3. Professor, National Taiwan University	None	None	None
Director	R.O.C.	Li-Jeng Chen	Female	06/14/2018	3	06/09/2015	2,145	2.83	2,345	3.09	0	0	0	0	1. Master of Air Transportation Management, University of Hawaii, Travel Industry Management School, U.S.A. 2. Chief Investment Officer, Cathay Securities Investment Trust 3. Portfolio Manager, Invesco Global Technology Fund	None	None	None	None

04/15/2019；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Rick Shen	Male	06/14/2018	3	06/19/2012	166	0.22	170	0.22	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. R&D Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. President, eMemory Technology Inc. 2. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 3. Director, Taiwan IoT Technology and Industry Association	None	None	None
Independent Director	R.O.C.	Kenneth Kin	Male	06/14/2018	3	05/26/2009	0	0	0	0	0	0	0	0	1. Ph.D. Nuclear Engineering and Applied Physics, Columbia University, U.S.A. 2. Bachelor Degree in Nuclear Engineering, National Tsing Hua University 3. Senior Vice President, Worldwide Sales & Services, Taiwan Semiconductor Manufacturing Company Limited 4. Vice President, Worldwide Sales & Services, IBM Microelectronics Division 5. Vice President, Asia Pacific Operations, Motorola Computer Gro	1. Director, MediaTek Inc. 2. Independent Director, Remuneration Committee Member & Audit Committee Member , Vanguard International Semiconductor Corporation 3. Independent Director, Remuneration Committee Member & Audit Committee Member, Global Unichip Corp. 4. Honorary Chair Professor, College of Technology Management, National Tsing Hua University	None	None	None

04/15/2019；Unit: Year；Thousand shares；%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Ming-To Yu	Male	06/14/2018	3	06/09/2015	0	0	0	0	0	0	0	0	1. Master of Business Administration, The Wharton School, University of Pennsylvania, U.S.A. 2. Master of Public Administration, National Chengchi University 3. Chief Financial Officer, Xiaomi Corporation, Beijing 4. Chief Financial Officer and Spokesperson, MediaTek Inc. 5. Financial Manager, Taiwan Semiconductor Manufacturing Company Limited	1. Director & President, Kaiyu Consulting Co., LTD. 2. Director, Egis Technology Inc. 3. Director, TYNSOLAR CORPORATION	None	None	None
Independent Director	R.O.C.	T.C. Chen	Male	06/14/2018	3	06/14/2016	0	0	0	0	0	0	0	0	1. Ph.D. in Engineering and Applied Science, Yale University, U.S.A. 2. Bachelor Degree in Physics, National Cheng Kung University 3. Fellow Member, Institute of Electrical and Electronics Engineers (IEEE)	1. Fellow, IBM 2. Vice President Science & Technology, IBM 3. Independent Director & Audit Committee Member, AP Memory Technology Corp.	None	None	None

Major shareholders of the institutional shareholders

04/15/2019

Name of Institutional Shareholders	Major Shareholders	
How-Han Investment Corporation	Teresa Cheng	25.00%
	Charles Hsu	15.00%
	Felix Hsu	20.00%
	Alexander Hsu	20.00%
	Rosalind Hsu	20.00%

Major shareholders of the Company’s major institutional shareholders：None.

Professional qualifications and independence analysis of Directors：

04/15/2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is 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 Specialist 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 Areas 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	
Charles Hsu	✓	-	✓	✓	-	-	-	✓	-	✓	-	✓	✓	2
Mu-Chuan Hsu	-	-	✓	✓	-	-	✓	✓	-	✓	✓	✓	✓	0
Teresa Cheng	-	-	✓	✓	-	-	-	✓	-	✓	-	✓	-	0
Jason Hsu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Li-Jeng Chen	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	0
Rick Shen	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Kenneth Kin	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Ming-To Yu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
T.C. Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.

2. 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, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

04/15/2019；Unit: Thousand shares；%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Rick Shen	Male	10/12/2009	170	0.22	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. R&D Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. Independent Director, Remuneration Committee Member & Audit Committee Member, inergy Technology Inc. 2. Director, Taiwan IoT Technology and Industry Association	None	None	None
Vice President	R.O.C.	Ching-Yuan Lin	Male	02/21/2008	158	0.21	34	0.04	0	0	1. Master Degree in Physics, National Central University 2. EMBA, National Tsing Hua University 3. Technical Manager, Technology, Taiwan Semiconductor Manufacturing Company Limited 4. Technical Manager, Technology, Vanguard International Semiconductor Corporation	None	None	None	None
Vice President	R.O.C.	Anita Chang	Female	02/21/2008	26	0.03	0	0	0	0	1. Master Degree in Economics, National Taiwan University 2. Section Manager, Tze Chiang Foundation of Science and Technology	None	None	None	None

04/15/2019；Unit: Thousand shares；%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	R.O.C.	Chris Lu	Male	01/01/2014	10	0.01	156	0.21	0	0	1. Master Degree in Photonics and Optoelectronics, National Taiwan University 2. R&D Engineer, Philips Electronics Ltd. 3. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited.	None	None	None	None
Vice President	R.O.C.	John Ho	Male	01/01/2014	83	0.11	0	0	0	0	1. Master Degree in Electronics Engineering, National Chiao Tung University 2. Engineer, Vanguard International Semiconductor Corporation 3. Engineer, Comax Tech. Inc.	None	None	None	None
Vice President	R.O.C.	Evans Yang	Male	01/01/2014	41	0.05	1	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. Technical Manager, Product Engineering Center, Powerchip Technology Corporation 3. Director of President's Office, PowerFlash Technology Corp.	Supervisor, Taiwan IoT Technology and Industry Association	None	None	None
Vice President	R.O.C.	Michael Ho	Male	01/01/2014	35	0.05	70	0.09	0	0	1. Master Degree in Electrical and Electronics Engineering, National Tsing Hua University 2. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	None	None	None	None
Accounting and Financial Officer	R.O.C.	Teresa Kuo	Female	08/02/2011	14	0.02	0	0	0	0	1. Bachelor Degree in Accounting, Tamkang University 2. Internal Auditing Officer, United Epitaxy Company, Ltd.	None	None	None	None

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

A. Remuneration of Directors

12/31/2018；Unit: NT$ thousands；Thousand shares；%

Title / Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
	Base Compensation (A) (Note 1)		Severance Pay (B) (Note 2)		Directors Compensation(C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
															Cash	Stock	Cash	Stock			
Chairman Charles Hsu	13,493	13,493	0	0	3,139	3,139	35	35	2.72%	2.72%	0	0	0	0	0	0	0	0	2.72%	2.72%	50
Director Mu-Chuan Hsu Director How-Han Investment Corporation Representative： Teresa Cheng Director (Note 7) How-Han Investment Corporation Representative： Jason Hsu Director Li-Jeng Chen Director Rick Shen Independent Director Kenneth Kin Independent Director Ming-To Yu Independent Director T.C. Chen	5,692	5,692	0	0	9,415	9,415	440	440	2.53%	2.53%	9,325	9,325	108	108	4,533	0	4,533	0	4.81%	4.81%	0

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.：None.

Note 1：Base compensation for directors in 2018 (including director’s salary, duty allowance, severance pay, bonus and reward, etc.)
Note 2：Allowance or funding of pension obligation.
Note 3：Directors compensation of 2018 is resolved by the Board of Directors on February 26, 2019.
Note 4：The directors’ professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provisions of such tangible objects as dormitory and car, etc...).If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration.
Note 5：It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 “Share-based payment”, including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.
Note 6：The directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) received employee compensation (including stock dividend and cash dividend) of 2018 is resolved by the Board of Directors on February 26, 2019. The employee compensation paid to directors who are also employees is a proposed number.
Note 7：Mr. Jason Hsu is Director effective June 14, 2018.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu, Kenneth Kin, Ming-To Yu, T.C. Chen	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu, Kenneth Kin, Ming-To Yu, T.C. Chen	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu, Kenneth Kin, Ming-To Yu, T.C. Chen	Mu-Chuan Hsu, How-Han Investment Corporation Representative：Teresa Cheng, How-Han Investment Corporation Representative：Jason Hsu, Kenneth Kin, Ming-To Yu, T.C. Chen
NT$2,000,001 ~ NT$5,000,000	Li-Jeng Chen, Rick Shen	Li-Jeng Chen, Rick Shen	Li-Jeng Chen	Li-Jeng Chen
NT$5,000,001 ~ NT$10,000,000				
NT$10,000,001 ~ NT$15,000,000				
NT$15,000,001 ~ NT$30,000,000	Charles Hsu	Charles Hsu	Charles Hsu, Rick Shen	Charles Hsu, Rick Shen
NT$30,000,001~ NT$50,000,000				
NT$50,000,001 ~ NT$100,000,000				
Over NT$100,000,000				
Total	9	9	9	9

B. Remuneration of Supervisors：None.

C. Remuneration of the President and Vice Presidents

12/31/2018；Unit: NT$ thousands；Thousand shares；%

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Severance Pay (B) (Note 1)</th><th colspan="2">Bonuses and Allowances (C) (Note 2)</th><th colspan="4">Employee Compensation (D) (Note 3)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)</th><th rowspan="3">Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Rick Shen</td><td rowspan="7">19,373</td><td rowspan="7">19,373</td><td rowspan="7">1,002</td><td rowspan="7">1,002</td><td rowspan="7">20,489</td><td rowspan="7">20,489</td><td rowspan="7">15,413</td><td rowspan="7">0</td><td rowspan="7">15,413</td><td rowspan="7">0</td><td rowspan="7">9.18%</td><td rowspan="7">9.18%</td><td rowspan="7">0</td></tr>
<tr><td>Vice President</td><td>Ching-Yuan Lin</td></tr>
<tr><td>Vice President</td><td>Anita Chang</td></tr>
<tr><td>Vice President</td><td>Chris Lu</td></tr>
<tr><td>Vice President</td><td>John Ho</td></tr>
<tr><td>Vice President</td><td>Evans Yang</td></tr>
<tr><td>Vice President</td><td>Michael Ho</td></tr>
</table>

Note 1：Allowance or funding of pension obligation.

Note 2：It means the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the President and Vice Presidents in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 3：The President and Vice Presidents received employee compensation of 2018 is resolved by the Board of Directors on February 26, 2019. The employee compensation paid to President and Vice Presidents is a proposed number.

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000		
NT$2,000,001 ~ NT$5,000,000		
NT$5,000,001 ~ NT$10,000,000	Ching-Yuan Lin, Anita Chang, Chris Lu, John Ho, Evans Yang, Michael Ho	Ching-Yuan Lin, Anita Chang, Chris Lu, John Ho, Evans Yang, Michael Ho
NT$10,000,001 ~ NT$15,000,000	Rick Shen	Rick Shen
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total	7	7

D. Employee Compensation to Executive Officers

12/31/2018；Unit: NT$ thousands；%

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Rick Shen	0	16,320	16,320	2.66%
	Vice President	Ching-Yuan Lin				
	Vice President	Anita Chang				
	Vice President	Chris Lu				
	Vice President	John Ho				
	Vice President	Evans Yang				
	Vice President	Michael Ho				
	Accounting and Financial Officer	Teresa Kuo				

Note：The executive officers received employee compensation of 2018 is resolved by the Board of Directors on February 26, 2019. The employee compensation paid to executive officers is a proposed number.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	
2017	2018
14.67%	14.43%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(1) The standards for the Company to distribute remuneration to the Directors are established pursuant to the provisions of Article 25 in the Articles of Incorporation, that no more 2% of the profit shall be distributed to Directors as compensation for the then current year, and shall be adopted after being approved by the Board of Directors.
The remunerations of President and Vice President of the Company include salary, employees' compensation and employee stock option certificates. The salary level shall be determined according to the contribution degree that the managers provided to the Company and also by taking a reference to the level implemented by other companies in the same industry; the employees' compensation for managers shall be established pursuant to the Articles of Incorporation and shall be adopted after being approved by the Board of Directors.
The Remuneration Committee had been established on October 20, 2011 under the approval of the Board of Directors, with respect to the remunerations of Directors, President, Vice President and managers, after being suggested by the Remuneration Committee according to the organization rules thereof and proposed to the Board of Directors for approval.
The remunerations of Directors are reasonable rewards given under the weight distribution principle by taking the operation achievements and the participation degree of each Director in the daily operation activities of the Company into consideration, the rationality of relevant remuneration have been examined by the Remuneration Committee and Board of Directors, and the compensation system will be reviewed from time to time according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

(2) The standards for granting the employee stock option certificates shall not exceed the amount preserved for issuance form the capital provided for in the Article of Incorporation, and may be issued in installments by authorizing the Board of Directors.

(3) In response to the changes of economic environment in the future, the remuneration of management team of the Company will be determined deliberately according to the performance of management and the risk in the future, as well as the level adopted by the domestic or overseas industry.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2018. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Charles Hsu	7	0	100.00%	
Director	Mu-Chuan Hsu	5	1	71.43%	
Director	How-Han Investment Corporation Representative：Teresa Cheng	6	1	85.71%	
Director	How-Han Investment Corporation Representative：Jason Hsu	4	1	80.00%	Effective on June 14, 2018. Presence required for 5 instances.
Director	Li-Jeng Chen	6	0	85.71%	
Director	Rick Shen	7	0	100.00%	
Independent Director	Kenneth Kin	7	0	100.00%	
Independent Director	Ming-To Yu	6	1	85.71%	
Independent Director	T.C. Chen	6	0	85.71%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act：The Company had established the Audit Committee, that the provisions of Article 14-3 shall not apply. With respect to the descriptions for the matters listed in Article 14-5 of the Securities and Exchange Act, please take a reference to 3.3.2 Audit Committee in page 31 of this Annual Report.
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors：None.
2. Any recusal of Directors due to conflicts of interests during the period of 2018 and up to April 15, 2019 is set forth below:
   (1) The sixteenth meeting of sixth Board of Directors (2018.02.27):
   Subject: The distribution of employees' compensation and team operation bonus to management team of the Company for 2017.
   Resolution: Chairmen Mr. Charles Hsu and Director Mr. Rick Shen (concurrently is the

President) are the persons to be distributed in this proposal that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.02.27 without any objection.

(2) The seventeenth meeting of sixth Board of Directors (2018.04.25)

Subject: Review of the list of Director candidates nominated by the shareholders.

Resolution: The current Director Mr. Charles Hsu, Ms. Li-Jeng Chen, Mr. Mu-Chuan Hsu, Ms. Teresa Cheng, Mr. Rick Shen are nominees who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Ming-To Yu. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Audit Committee convened on 2018.04.25 without any objection.

Subject: Review of the list of Independent Director candidates nominated by the shareholders.

Resolution: The current Independent Director Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T. C. Chen are nominees who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Audit Committee convened on 2018.04.25 without any objection.

(3) The first meeting of seventh Board of Directors (2018.06.14)

Subject: Employment of the members of Fourth Remuneration Committee.

Resolution: The Independent Directors Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T.C. Chen are nominees for this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved without any objection.

(4) The second meeting of seventh Board of Directors (2018.07.25)

Subject: Adjustment of the remuneration of Chairman of the Company.

Resolution:
1. Chairman Mr. Charles Hsu is the receiver of remuneration under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
2. Director Ms. Teresa Cheng is the spouse of Chairman, who has indirect interest with this proposal and shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.
3. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.07.25 without any objection.

Subject: Distribution of the respective remuneration of Directors of the Company in 2017.

Resolution: 1. Chairman Mr. Charles Hsu, Director Mr. Mu-Chuan Hsu, Mr. Rick Shen are persons to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

2. Director Ms. Teresa Cheng and Mr. Jason Hsu are representatives of How-Han Investment Company who is a juristic person Director shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

3. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.07.25 without any objection.

Subject: Distribution of the remuneration of Independent Directors of the Company in 2017.

Resolution: Independent Directors Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T.C. Chen are persons to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.07.25 without any objection.

(5) The fifth meeting of seventh Board of Directors (2018.12.19)

Subject: The proposal of issuing Employee Stock Option Certificates by the Company.

Resolution: It is due to Director Mr. Rick Shen also takes the position of President at the same time and became a person to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.12.19 without any objection.

Subject: The proposal of the Third Time Shares Repurchase and Transfer to Employee.

Resolution: It is due to Director Mr. Rick Shen also takes the position of President at the same time and became a person to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2018.12.19 without any objection.

(6) The sixth meeting of seventh Board of Directors (2019.02.26)

Subject: The distribution of employees' compensation and team operation bonus to management team of the Company for 2018.

Resolution: Chairmen Mr. Charles Hsu and Director Mr. Rick Shen (concurrently is the President) are the persons to be distributed in this proposal, Director Ms. Teresa Cheng is the spouse of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result made by the Remuneration Committee convened on 2019.02.26 without any objection.

3. The targets of enhancing the competence of Board of Directors in current year and latest year (ex. establishing the Audit Committee, enhancing the information transparency etc.) and the assessment of execution: (1) The Remuneration Committee had been established on October 20, 2011 by the Company, who takes charge of assisting the Board of Directors in assessing and establish the salary and remuneration of Directors and managers periodically, and on a regular schedule review the performance assessment of Directors and managers and the remuneration policy, system, standards and structure. (2) In order to further conform to the spirits of corporate governance, the Audit Committee had been voluntarily established on June 9, 2015, exercise the authority provided for in the Securities and Exchange Act, Company Act and other laws and regulations. (3) The " Investor Relations" had been established on the website of the Company, which provides investors the information of financial, business, material information and corporate governance for reference, and have specific persons appointed to maintain the information; the spokesperson system and email address of Audit Committee had been established, for shareholders to inquire the financial , business related information of the Company. (4) The Company is dedicated in implementing corporate governance evaluation to improve the information transparency, in consecutive 4 years from 2015 to 2018, the Company was honorably ranked as "Top 20%" in the corporate governance evaluation system. Besides, the Company also selected as "TPEx Corporate Governance Index", "TPEx 50 Index", "TPEx Compensation Index" Constituents.

3.3.2 Audit Committee

The main purpose of Audit Committee is assisting the Board of Directors in performing the supervision on the quality and faith of execution regarding accounting, audit, financial report process and financial control of the Company, please take a reference to the remark description of Major Resolutions of Board Meetings in page 58~61 of this Annual Report, about its focus and operation situation in 2018.

A total of 5 (A) Audit Committee meetings were held in 2018. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Independent Director	Kenneth Kin	5	0	100.00%	
Independent Director	Ming-To Yu	4	1	80.00%	
Independent Director	T.C. Chen	5	0	100.00%	
Other mentionable items: 1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:					

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act：After being approved by the concurrence of one-half or more of all members of the Audit Committee, all of these matters were sent to Board of Directors for approval by resolutions, there was not the situation of being approved by the concurrence of two-thirds or more of all members of the Board of Directors and without the approval of Audit Committee, please take a reference to the Major Resolutions of Board Meetings in page 58~61 of this Annual Report .

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors ： None.

2. Any recusal of Independent Directors due to conflicts of interests during the period of 2018 and up to April 15, 2019 is set forth below:

The sixteenth meeting of first Audit Committee (2018.04.25)

Subject: Review of the list of Independent Director candidates nominated by the shareholders.

Resolution: (1) The current Independent Director Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T. C. Chen are nominees who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

(2) To make the procedure go smoothly, the nominees under this proposal was reviewed individually and entered into recusal by turns, the resolution is concluded as in the followings:

a. The review on Mr. Kenneth Kin: Director Mr. Kenneth Kin entered into recusal, that Director Mr. Ming-To Yu (the chairperson) and Mr. T. C. Chen performed the review, this proposal was approved as is without any objection, and proposed to the Board of Directors for approval.

b. The review on Mr. T. C. Chen: Director Mr. T. C. Chen entered into recusal, that Director Mr. Ming-To Yu (the chairperson) and Mr. Kenneth Kin performed the review, this proposal was approved as is without any objection, and proposed to the Board of Directors for approval.

c. The review on Mr. Ming-To Yu: Director Mr. Ming-To Yu entered into recusal, that Director Mr. Kenneth Kin (the chairperson) and Mr. T. C. Chen performed the review, this proposal was approved as is without any objection, and proposed to the Board of Directors for approval.

3. The Communication Situation Between the Independent Directors and Internal Audit Officer and CPA (shall include the communicated material matters, style and result in terms of financial, business status of the Company)

(1) The Audit Officer attended to each meeting of the Audit Committee, and reported the audit practices during the meeting, the Independent Directors may thoroughly communicate with Audit Officer in face.

(2) The Audit Officer will periodically submit audit report to the Independent Directors for review.

(3) The CPA of the Company attended to the meeting of Audit Committee for reviewing each quarter financial report and reported the situation of review or audit, the members of Audit Committee and CPA may thoroughly communicate with each other in face.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company had established the "Corporate Governance Practice Principles" based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and made it disclosed on the Company's website and Market Observation Post System.	None
2. Shareholding structure & shareholders' rights				None
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company had established spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders, and further employed the legal counsel to assist replying and handling the legal inquiries from the shareholders.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company on schedule possesses the list of major shareholders of the actual controlling company and the ultimate owner of the major shareholders according to the shareholders roster provided by the stock agency when the share transfer registration is suspended.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The assets, finance, business and accounting affairs of the affiliates are all operated independently, and under the charge of specific person as well as controlled and audited by the parent company.	
(4) Does the company establish internal rules	V		(4) The Company had established the "Ethical Corporate Management	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
against insiders trading with undisclosed information?			Practice Principles” in which definitely provided that the personnel of the Company shall obey the provisions of the Securities and Exchange Act, and shall in no event make use of undisclosed information for insiders trading, as well as shall not disclose to any third party, to prevent insiders from trading with undisclosed information.	
3. Composition and Responsibilities of the Board of Directors				None
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The diversified policy/professional abilities for the composition of Directors had been provided in the “Corporate Governance Best-Practice Principles” of the Company; currently, the 9 members of the Board of this term have professional backgrounds in industries, academia and medical science, and professional specialties in the scopes of management, leadership and policy decision, industrial knowledges, academy and financial. Among the Directors, Directors with employee identity take a ratio of 11%; the Independent Directors take a ratio of 33%; female take a ratio of 22%. The seniority of the three Independent Directors are 3, 4, and 10 years respectively; 4 Directors are more than 60 years old, and 5 Directors are under the age of 60.	
(2) Does the company voluntarily establish other	V		(2) Although the capital of the Company does not reach the requirement of	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
functional committees in addition to the Remuneration Committee and the Audit Committee?			establishing the Audit Committee, however, in order to more conform to the principle of Corporation Governance, it was approved by the Board of Directors on February 12, 2015 and resolved by the 2015 Annual General Shareholders' Meeting to establish the Audit Committee voluntarily.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?		V	(3) The Company will establish the standard to measure the performance of the Board, and the evaluation method according to the actual demands.	
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Audit Committee and Board of Directors of the Company annually evaluate the independence of CPAs pursuant to the provisions of No. 10 of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and obtain the Confirmation of Independence from CPAs; the latest evaluation date is December 19, 2018.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company	V		The matters related to corporation governance are under the charge of the units according to their functional authority and responsibility assignment; Finance Department is responsible for the works related to meetings of the Board of Directors, the Audit Committee and the Shareholders' Meetings; Human Resource Department is responsible for the works related to meetings of the Compensation Committee; President Office is the top leading unit for the scope of ethic corporate management and corporate social responsibility which is responsible	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
registration, and producing minutes of board meetings and shareholders' meetings)?			for coordinating the target of corporate social responsibility and formulate the sustainable development policies, and annually report to the Board of Directors.	
5. 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), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The stakeholders of the Company may find the corresponding contact information through the "Stakeholder Engagement" on the website of the Company, or express opinions by sending emails to the members of Audit Committee. Furthermore, the area of "Social Responsibility" on the corporate website interprets the corporate social responsibility policy and explicit achieves in detail which provides the stakeholders for the ideas related to corporate social responsibility of the Company.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company delegates the Brokerage Registry and Transfer Services Department of KGI Securities Co., Ltd. to deal with the shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	 V V		 (1) The Company has a corporate website both in Chinese and English to disclose both financial standings and the status of corporate governance. (2) The Company had built a corporate website both in Chinese and English and appointed designated people to handle information collection and disclosure; carried out the spokesman system; participate in the investor conference held by the external institutes without a fixed schedule, and voluntarily webcast the investor meeting each quarter, the information for investor	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			conference had been disclosed on the Market Observation Post System and the corporate website.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) The Company actively protects the rights and benefits of employees and is concerned with employees, except obeying the provisions related to labor laws and regulations, also provide the leave better than labor laws and regulations. (2) The Company had established the unit of Investor Relations which can immediately handle the inquiries rendered by the investors. (3) The procurement unit of the Company manages the suppliers pursuant to the Procedures for Control of Procurement Operation, and re-examine the list of qualified suppliers, to secure the supplier quality. (4) The stakeholders may communicate through the Stakeholder Engagement of the corporate website. (5) All Directors of the Company actively participated in various professional enhancement courses, please take a reference to page 39 of this Annual Report which shows the Directors Profession Enhancement Status of 2018. (6) The Board Meeting is convened at least quarterly, the status of attendance is good, the Director had avoided the vote or discussion if he/she has a personal interest in the matter under discussion. (7) The internal control system, fiscal	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			year budgets and necessary management rules and procedures are the risk control policies and measurement standards, and those system, budgets and procedures shall be examined by the Audit Committee and approved by the Board of Directors; the unit being in charge has to report the status of execution to Audit Committee and the Board. (8) The Company had established the Procedures for Control of Customer Services Provision, the Procedures for Customer Satisfaction Survey, which provide the handling procedures, and periodically evaluate the satisfactory of customers to make sure the customers have best services. (9) The Directors and manager had been insured for liabilities and this is disclosed on the Market Observation Post System.	

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.
The examination of Corporation Governance Evaluation System in 2018, with respect to the failed items of the company, the improvements are set forth below:
(1) The Company will upload the Shareholders' Meeting Agenda in English version and supplement information 21 days before the 2019 General Shareholders' Meeting.
(2) The Company will upload the Annual Report in English version 7 days before the 2019 General Shareholders' Meeting.
(3) The 2018 Financial Statements in English version of the Company had been publicly announced on the website of the Company and the Market Observation Post System on March 27, 2019.

Attachment：Directors Profession Enhancement Status of 2018

Name	Date	Organizer	Topic of Course	Hour
Charles Hsu	2018/05/09	Taiwan Corporate Governance Association	The Influences of International Politics and Economics on IT Industries of Taiwan	3.0
	2018/08/08	Taiwan Corporate Governance Association	Crucial Updates of Laws and Regulations	1.5
	2018/11/07	Taiwan Corporate Governance Association	The Prospect of International Trade in 2019 – From the Observation of Trade Conflict between United States and China	1.5
Mu-Chuan Hsu	2018/08/16	Securities and Futures Institute	Corporate Financial Crisis Precaution and Type Analysis	3.0
	2018/08/21	Securities and Futures Institute	A Study on the Legal Responsibilities of Director and Supervisor regarding Financial Statements Fraud	3.0
Teresa Cheng	2018/09/04	Taiwan Corporate Governance Association	An Analysis on the Essential of Anti-Tax Avoidance in Taiwan and Case Study	3.0
Jason Hsu	2018/06/27	Securities and Futures Institute	Workshop of the Practices of Director and Supervisor (including Independent Director) – Taipei	12.0
Rick Shen	2018/08/03	Taiwan Corporate Governance Association	The Way for Director to Lead the Corporate in the Environment that Technology Rapidly Changes	3.0
Kenneth Kin	2018/06/15	Taiwan Corporate Governance Association	The Protection of Trade Secret and the Practice of Investigation and Prevention of Fraud (Part A)	3.0
	2018/06/15	Taiwan Corporate Governance Association	The Protection of Trade Secret and the Practice of Investigation and Prevention of Fraud (Part B)	3.0
	2018/08/02	Taiwan Corporate Governance Association	AI and the Future	3.0
	2018/12/03	Taiwan Corporate Governance Association	The Game in which the Corporate of Taiwan Can Reborn	3.0
Ming-To Yu	2018/06/15	Association of Taiwan Listed Companies	New Southbound Part 2: Going Forward Southern Asia	2.0
	2018/11/08	Taiwan Corporate Governance Association	A Study on Amendments of the Latest Revised Company Act and Its Practices	3.0
	2018/11/08	Taiwan Corporate Governance Association	Corporate Governance and Relevant Securities Laws	3.0

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Criteria / Title/ Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
	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 specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director Kenneth Kin	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director Ming-To Yu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
External Expert Huang-Chung Cheng	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Term expires on June 14, 2018.
Independent Director T.C. Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 (A) Remuneration Committee meetings were held in 2018. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Kenneth Kin	3	0	100.00%	
Committee Member	Ming-To Yu	3	0	100.00%	
Committee Member	Huang-Chung Cheng	1	0	100.00%	Term expires on June 14, 2018. Presence required for 1 instance.
Committee Member	T.C. Chen	3	0	100.00%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Resolutions of the remuneration committee and the Company's response to the remuneration committee 's opinion in 2018, please take a reference to the Major Resolutions of Board Meetings in page 58~61 of this Annual Report.

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? (2) Does the company provide educational training on corporate social responsibility on a regular basis?	V V		(1) The Company had established the "Corporate Social Responsibility Practice Principles" and made it publicly disclosed on the corporate website and Market Observation Post System, as well as establishing the specific area of Social Responsibility on the website in which interprets the corporate social responsibility policy of the Company and explicit achieves, and review the status of completion and performance annually. (2) The Company holds the courses relevant to social responsibility, such as "Fire Safety Seminar" propaganda courses; also indicates "reducing electricity consumption", "energy saving and carbon reduction". In order to well protect the personal information of employees and shareholders, the "Personal Data File Security Implement Plan" was established which can be conformed with. The Company dedicated to the diversified learning programs, except internally providing various knowledge inheritance courses in physical or on line, especially cooperate in opening the related courses with universities and colleges, hope this can well fulfill the social responsibility by the opportunity of	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			sharing resources, and establish the cooperation platform for both the industries and academies, share and exchange the practices of industry with academia.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		(3) The President Office is authorized by the Board of Directors to facilitate the corporate social responsibility of the Company, and report the execution status to the Board annually.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(4) The Company had established the "Rules for Salary Management" and "Rules for Performance Management" which provide various and competitive salary reward policies and definite award and punishment system. According to the operation performance, the Company appropriates employee compensation and by basing on the set annual target, quarter target accompany with employee performance assessment system, provides employee for compensation, quarterly bonus or performance bonus. The employee promotion is processed according to the "Rules for Performance Management", two assessments are performed each year which will be the basis for the salary adjustment,	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			promotion, bonus. The "Rules for Rewards Management" has established for rewarding and encouraging the employee who has excellent performance in the project invention, specific contribution and service (such as patents reward, patents creation reward, excellent model reward). The discipline shall be made pursuant to the provisions in Chapter 5 of the "Work Rules".	
2. Sustainable Environment Development				None
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1) The Company obeys the laws and regulations related to environment protection to sign the contracts with legal cleaning service companies for cleaning and recycling the recyclable wastes to implement the sustainable policy of environment protection and resource recycling.	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) The main business of the Company is silicon IP licensing, which is non-pollution business; therefore, the verification of Environmental Management System is not applicable.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as	V		(3) The Company is dedicated in the policy of energy saving and carbon reduction, that the air conditioners are equipped with timers, the personnel are notified to turn off the light when it is idle, paperless operation etc.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
establish company strategies for energy conservation and carbon reduction?			Furthermore, the Greenhouse Gas Inventory is periodically performed annually, to reach the goal of gradually reducing the carbon dioxide emission every year. The average carbon dioxide emission of each person of the Company in 2018 is 2,559 Kg which is much equivalent to 2,543 Kg that was in 2017, and it is estimated that the carbon dioxide emission can reach 2,500 Kg/ person after three years.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company obeys the related labor laws and regulations and respects for the internationally recognized fundamental principles and spirits of labor rights, protects the legal rights of employees, and enforces the relevant management policies and procedures pursuant to the governmental laws and regulations. The welfare measures held or provided by the Company shall not be different for gender, race, age etc. and the Labor-Management meetings are periodically convened with an open and transparent two-way communication channel to understand the thoughts of each other that the goal of facilitating the harmony between labor and employer, and creating the win-win of labor and corporate can be achieved.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) The company had set up the communication channel and complaint handling procedures for employees; employee may fill in the complaint form and submit it to the Human Resource manager, which the Human Resource unit can immediately understand and handle it under a way of confidential communication.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company is dedicated in the topics of securing labor health and working environment by periodically implementing safety and health education and holding "Fire Safety Seminar" propaganda courses pursuant to the occupational safety and health relevant laws and regulations. And by providing specific parking spaces or transportation allowances, nursery room, full time security system, multifunction rest area etc. the employees can enjoy a comfortable and healthy environment. We believe that the most fortune of the Company shall be the healthy employees, we provide full exercise allowances for fitness and hold health examination periodically, and the nursing personnel on-site services are available in the Company to manage the health of employees and provide health consulting services.	
(4) Does the company setup a communication	V		(4) The Company holds employees' quarterly meeting each season, in	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?			which the President will interpret the operation status of the Company and the development in the future. The information related to material operation events will be also announced on the internal website.	
(5) Does the company provide its employees with career development and training sessions?	V		(5) In order to improve the scheduled milestone and develop the employees' abilities in profession and management to make human resources efficiently available and obtain the knowledge, skill and ability required for work, develop the goals of each stage on the basis of deeply establishing human resource of the Company, every Wednesday is set as eMemory's learning day, that professional internal training courses will be held, and expenses for external training courses can be subsidized. The goal of employee's career development, learning capability, execution status, effectiveness review will be further planned and connected with internal practices, that the annual program planning can be proposed.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research	V		(6) The Company insists on the spirit of "Quality First, Service Best, Customer Satisfied" and focuses on product quality to reach the main goal of increasing the customer's satisfaction, provides customers with safe, reliable	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
development, purchasing, producing, operating and service?			and high quality products, and maintain good communication channel with customers by providing transparent and effective complaint handling procedures for products and services. Customers may also find the corresponding contact information through the area of "Stakeholder Engagement" on the corporate website, or express opinions by sending emails to the members of Audit Committee, the complaint will be handled according to the actual situation by the Company or the members of Audit Committee. With respect to the requirements of "Personal Information Protection Act", the "Personal Data File Security Implement Plan" was established and executed according to the schedule.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The major business of the Company is silicon IP licensing, that labeling will not be applicable for the products are intangible; The marketing of goods and services of the Company conforms to the requirements of relevant regulations and international standards.	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		(8) The procurement unit of the Company manages suppliers pursuant to the procurement control procedures, and requires new suppliers to follow the "eMemory Supplier Code of Conduct" and sign the "eMemory Supplier Social Responsibility	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Commitment", and the supplier will be required for performing the self-examination pursuant to the "Supplier_Checking List" annually, if it is necessary the on-site audit may be performed to manage the status of supplier's performance of social responsibility.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(9) The procurement unit of the Company requests major products suppliers to sign the "eMemory Supplier Social Responsibility Commitment", that the Company may terminate or rescind the contract at any time if the supplier violates the social responsibility policy of the Company and causes significant influence to environment and society.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The Company discloses the performance of social responsibility relevant information on the corporate website, Market Observation Post System and in the annual report.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation：None.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices： (1) The Company has established the Social Responsibility area on the corporate website, in which interprets the corporate social responsibility policy of the Company and explicit achievements, that the internal and external persons can be clearly aware of the social responsibility ideas of the Company. (2) The Company participates in the philanthropic activities and gives back to the society. In 2018, we donated NT$ 1.3 million to National Tsing Hua University for scholarships and academic forums, NT$ 109 thousand to National Tsing Hua University and National Chiao Tung University for academic rewards, NT$ 300 thousands to the World Vision for securing the earthquake in Hualien, donated computer equipment to "Teach for Taiwan" and "Taiwan Fund for Children and Family (Hsinchu Branch)" etc. (3) The Company dedicated to diversified learning program, except internally providing various knowledge inheritance courses, especially cooperate in opening related courses with universities and colleges, hope this can well fulfill the social responsibility by the opportunity of sharing resources, and establish the cooperation platform for both the industries and academies, share and exchange the practices of industry with academia.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions：Not applicable.				

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, the "Ethical Corporate Management Practice Principles" had been established and publicly disclosed on the corporate website and Market Observation Post System; the execution status of ethical management of the Company is further interpreted on the corporate website.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) The clear directions of "Ethical Corporate Management Practice Principles" for performance of duties, operation procedures and complaint channel, stakeholders may find the corresponding contact information through the area of "Stakeholder Engagement" on the corporate website, or send emails to the Company or the members of Audit Committee to inform of unethical or complain.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in	V		(3) The Company had established the "Work Rules" in which provided definitely that all the employees are required to be honesty without accepting bribes to prevent the benefit of the Company from being damaged	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?			for the individual benefit of the employee; the handling procedures and the reward and penalty system for inhibiting the Director, manager, employee etc. to provide or accept improper benefits are also definitely provided in the "Ethical Corporate Management Practice Principles" of the Company. Besides, in order to ensure the fulfillment of ethical management, the President Office, as the unit in charge, shall periodically report to the Board of Directors.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V V		(1) The sales unit and procurement unit of the Company respectively evaluates customer's credit and manages the quality of supplier's services pursuant to the internal procedures. The Company also cooperate with customers to sign the Supplier Code of Conduct or Supplier Social Responsibility Commitment and requires major suppliers to sign the "eMemory Supplier Social Responsibility Commitment" in which the requirement of ethical conduct has been provided. (2) The President Office is authorized by the Board of Directors to be the unit in charge, it shall report the execution status of ethical management to the Board of Directors annually.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The recusal for Directors' interest conflict had been provided in the "Rules of Procedure for Board of Directors Meetings", that the Director him/herself or the corporate he/she represents for has a stake in the proposal at the meeting where there is a likelihood that the interests of the Company would be prejudiced, may state opinions or answer the inquiry but not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Furthermore, the "Ethical Corporate Management Practice Principles" of the Company has provided the situation that in the event the personnel of the Company find there is conflict to the interests of his/her or the entity he/she represents for, or there is a likelihood that himself or herself, his or her spouse, parent, child or the stakeholder may obtain the improper benefits when executing the business of the Company, shall report the related events to his/her direct supervisor and the unit in charge, and the direct supervisor shall provide proper direction.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are	V		(4) In order to fulfill the ethical management, the Company had established effective accounting system and internal audit system; the financial statements of the Company had been reviewed by the CPAs with audit report; the internal control system is	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
they audited by either internal auditors or CPAs on a regular basis?			performed by internal auditor periodically audit the conformity and report to the Audit Committee and Board of Directors quarterly of the year.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The fulfillment of ethical principle by employees is highly valued during the daily business, that the "Information Environment and Information Safety Propaganda" course is arranged in the new employee's training courses, which emphasize on well preserving and keeping the confidentiality of either tangible information equipment or intangible information assets to prevent the confidentiality of the Company from being revealed. The course of "Personal Information Protection Act Propaganda" puts emphasis on the execution of non-disclosure agreement by the personnel who handles personal information to well conform to the confidentiality obligations and not illegally use the personal information. And the course of "Insider Trading Propaganda" which propagates the inhibition of making use of undisclosed information to conduct insider trading and disclose to others. There were 33 employees participated in the above mentioned courses in 2018, the total training time was 39.1 hours.	
3. Operation of the integrity channel (1) Does the company	V		(1) Stakeholders may find the	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	 V V		corresponding contact information through the area of "Stakeholder Engagement" on the corporate website, or send emails to the members of Audit Committee to inform of unethical or complain; the whistleblowing case will be handled by a person appointed by the Company. (2) After receiving the whistleblowing case, according to the matters, the Company shall appoint a person to accept and investigate the case. The appointed person shall report to the Company about handling methods, schedule and result, the whistleblower and appointed person shall keep the investigation and related information confidential, that it shall not be disclosed, and the Company shall protect the whistleblower from revenge or other improper treatment. (3) As mentioned in the above, the Company shall protect the whistleblower from improper treatment due to the whistleblowing. The involved person who fails to keep the confidentiality and causes the confidentiality revealed shall be disciplined pursuant to the related rules.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on	V		The "Ethical Corporate Management Practice Principles" of the Company had been established and publicly disclosed on the corporate website and Market Observation Post System; the execution status of ethical management of the Company is further interpreted on the	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
the company’s website and MOPS?			corporate website and in the Annual Report.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation：None.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies)：None.				

3.3.7 Corporate Governance Guidelines and Regulations

To enhance corporate management system, the Company had established the corporate management related rules such as Rules of Procedure for Shareholders Meetings, Rules of Procedure for Board of Directors Meetings, Rules for Election of Directors, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Ethical Corporate Management Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Audit Committee Charter and Remuneration Committee Charter, relevant contents of the fore mentioned 9 rules are available on the Market Observation Post System and the corporate website.

3.3.8 Other Important Information Regarding Corporate Governance

To implement the hierarchical responsibilities management mechanism, the delegation of authorization had been established and authorized by the Board of Directors; the internal control system includes the management of related party transactions, supervision and management of subsidiaries, management of operation of Board meetings, management of Audit Committee meeting operations and management of Remuneration Committee meeting operations, that internal audit unit shall annually arrange the audit and report to the Audit Committee and Board of Directors.

The Company further established the rules related to corporate governance including Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, and Procedures for Lending Funds to Other Parties which are available on the corporate website.

The Directors of the Company continuingly participate in the corporate governance and professional knowledge training courses and obtained the certified documents every fiscal year pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies”, please take a reference to the detailed contents of the courses set forth in page 39 of this Annual Report.

3.3.9 Internal Control System Execution Status

A. Statement of Internal Control System

eMemory Technology Inc.

Statement of Internal Control System

February 26, 2019

Based on the findings of a self-assessment, eMemory Technology Inc. (eMemory) states the following with regard to its internal control system during the year 2018:

1. eMemory's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and eMemory takes immediate remedial actions in response to any identified deficiencies.
3. eMemory evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. eMemory has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, eMemory believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of eMemory's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on February 26, 2019, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

eMemory Technology Inc.

Chairman：Charles Hsu

President：Rick Shen

B. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.3.10 Reprimand on the Company and its Internal Personnel in Violation of Laws, or Reprimand on its Internal Personnel in Violation of Internal Control System Provisions, Major Shortcomings and Status of Correction: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting in 2018

Major Resolutions	Status of Execution
Adoption of the Business Report of 2017 and Financial Statements	Approved by resolution.
Adoption of the Proposal for Distribution of 2017 Profit Adoption of Distributing the Cash from Capital Surplus	July 9, 2018 was set as the distribution closing date, July 27, 2018 was set as the distribution date.(cash dividends were distributed by NT$ 7.108 per share; cash derived from Capital Surplus was distributed by NT$ 0.391 per share)
Election of Directors of the Seventh Term	The list of elected Directors: Charles Hsu, Rick Shen, Li-Jeng Chen, How-Han Investment Corporation Representative：Teresa Cheng, Mu-Chuan Hsu, How-Han Investment Corporation Representative：Jason Hsu. The list of elected Independent Directors: Kenneth Kin, Ming-To Yu, T. C. Chen. The above had been approved to be registered by the competent authority on June 25, 2018 and publicly announced on the website of the Company.
Removing the Prohibition on Directors of the Seventh Term from Participation in Competitive Business	Approved by resolution.

B. Major Resolutions of Board Meetings in 2018 and up to April 15, 2019

Time	Term	Major Resolutions	Status of Execution
2018.02.27	The sixteenth meeting of sixth term	1. Adopted the distribution of employees' compensation and the remuneration of Directors of 2017 (*2) 2. Adopted the consolidated and individual financial statements of 2017 (*1) 3. Adopted the business report of 2017 (*1) 4. Adopted the proposal for distribution of 2017 profit (*1) 5. Adopted the proposal of distributing the cash from capital surplus 6. Adopted the election of Directors of the	All of the items were finished according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
		seventh term 7. Adopted the proposal of convening the shareholders' general meeting of 2018 8. Adopted the performance assessment of managers of 2017 (*2) 9. Adopted the proposal of distribution of employees' compensation and team operation bonus to management team of the Company for 2017 (*2) 10. Adopted the report of self-assessment of internal control system and the "Statement of Internal Control System" for 2017 (*1) 11. Adopted the professional fees of CPA for 2018 (*1)	
2018.04.25	The seventeenth meeting of sixth term	1. Acknowledged the loans had been signed with the bank for the need of business operation (*1) 2. Adopted the transfer of employee stock option certificates first issued in 2016 to general shares and relevant change of registration (*1) 3. Adopted the consolidated financial statements of the first quarter of 2018 (*1) 4. Adopted the review of the list of Director candidates nominated by the shareholders (*1) 5. Adopted the review of the list of Independent Director candidates nominated by the shareholders (*1)	All of the items were finished according to the resolutions.
2018.06.14	The first meeting of seventh term	1. Adopted the election of Chairman of the Board of Directors 2. Adopted the employment of members for fourth term of Remuneration Committee of the Company	All of the items were finished according to the resolutions.
2018.07.25	The second meeting of seventh term	1. Adopted the consolidated financial statements of the second quarter of 2018 (*1) 2. Adopted the proposal of adjustment of the remuneration of Chairman of the Company (*2) 3. Adopted the proposal of distribution of the respective remuneration of Directors of the Company in 2017 (*2) 4. Adopted the proposal of distribution of the remuneration of Independent Directors of the	All of the items were finished according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
		Company in 2017 (*2)	
2018.09.13	The third meeting of seventh term	1. Adopted the proposal of implementing treasury stock to repurchase the shares of the Company, which will be the source of the stock used to transfer to employees	All of the items were finished according to the resolutions.
2018.10.24	The fourth meeting of seventh term	1. Acknowledged the loans had been signed with the bank for the need of business operation (*1) 2. Adopted the consolidated financial statements of the third quarter of 2018 (*1) 3. Adopted the amendments of the "Rules for the Third Time Shares Repurchase and Transfer to Employee" 4. Adopted the appointment of custodian who preserves the registered seals used for endorsement and guarantee	All of the items were finished according to the resolutions.
2018.12.19	The fifth meeting of seventh term	1. Adopted the proposal of issuing employee stock option certificates by the Company and establish the rules for issuance and subscription (*1) (*2) 2. Adopted the proposal of issuing employee stock option certificates by the Company (*2) 3. Adopted the proposal of Third Time Shares Repurchase and Transfer to Employee (*2) 4. Adopted the proposal of price and operation of transfer for Third Time Shares Repurchase and Transfer to Employee (*2) 5. Adopted the proposal of budget of 2019 (*1) 6. Adopted the proposal of audit plan of 2019 (*1) 7. Adopted the amendments of "Internal Control System" and the relevant "Implementation rules for internal audits" (*1) 8. Adopted the amendments of "Audit Committee Charter" (*1) 9. Adopted the assessment of the independence and performance of the CPA engaged by the Company (*1) 10. Adopted the change of CPA for the need of internal transfer of Deloitte & Touche (*1)	Except the transfers under proposal 2, 3 are not completed, the other items were finished according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
2019.02.26	The sixth meeting of seventh term	1. Adopted the distribution of employees' compensation and the remuneration of Directors of 2018 (*2) 2. Adopted the financial statements and business report of 2018 (*1) 3. Adopted the proposal for distribution of 2018 Profit (*1) 4. Adopted the proposal of distributing the cash from capital surplus 5. Adopted the proposal of amending a part of the provisions of the "Procedures for Acquisition or Disposal of Assets" (*1) 6. Adopted the proposal of convening the shareholders'general meeting of 2019 7. Adopted the performance assessment of managers of 2018 (*2) 8. Adopted the proposal of distribution of employees' compensation and team operation bonus to management team of the Company for 2018 (*2) 9. Adopted the proposal of amending a part of the provisions of the "Remuneration Committee Charter" (*2) 10. Adopted the report of self-assessment of internal control system and the "Statement of Internal Control System " for 2018 (*1) 11. Adopted the professional fees of CPA for 2019 (*1)	Except the distributions under proposal 1 & 8 are not completed, and the proposal 2~6 will be determined during the shareholders' general meeting on 2019.06.13, the other items were finished according to the resolutions.

*1: The matters that Audit Committee of the Company submits to the Board of Directors for approval Pursuant to Article 14-5 of the "Securities and Exchange Act".

*2: The matters that Remuneration Committee of the Company submits to the Board of Directors for approval Pursuant to Article 7 of 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".

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors：None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D：None.

3.4 Information Regarding the Company's Audit Fee and Independence

Audit Fee Scale

Fee Items / Fee Range		Audit Fee	Non-audit Fee
1	Under NT$ 2,000,000		✓
2	NT$2,000,001 ~ NT$4,000,000	✓	
3	NT$4,000,001 ~ NT$6,000,000		
4	NT$6,000,001 ~ NT$8,000,000		
5	NT$8,000,001 ~ NT$10,000,000		
6	Over NT$100,000,000		

3.4.1 Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and The Service Item:

Audit Fee and Non-Audit Fee Paid to the Accounting Firm in 2018 are provided below：

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Yih-Shin Kao Su-Li Fang	2,005	None	None	None	70	70	2018	Other Non-Audit Related Fees include review of Annual Report in amount of NT$30K and report to Financial Supervisory Commission in amount of NT$40K.

3.4.2 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

3.4.3 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 15 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

3.5 Replacement of CPA

A. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="3">Approved by the Board Meeting on 2018.12.19</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">The original CPAs of the Company were Yih-Shin Kao and Su-Li Fang from Deloitte & Touche. Due to internal restructuring at Deloitte & Touche, the CPAs of the Company were changed to Yu-Feng Huang and Su-Li Fang, beginning the fist quarter of 2019.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td>Parties / Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td>-</td><td>-</td></tr>
<tr><td>No longer accepted (continued) appointment</td><td>-</td><td>-</td></tr>
</table>

<table>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">None</td></tr>
<tr><td rowspan="5">Differences with the company</td><td rowspan="4">None</td><td>-</td><td>Accounting principles or practices</td></tr>
<tr><td>-</td><td>Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td>Audit scope or steps</td></tr>
<tr><td>-</td><td>Others</td></tr>
<tr><td colspan="3">Remarks/specify details:</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="3">None</td></tr>
</table>

B. Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Yu-Feng Huang and Su-Li Fang
Date of appointment	Approved by the Board Meeting on 2018.12.19
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None

C. Reply Letter from the former CPA：None.

3.6 The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in charge of its finance and accounting operations did not hold any positions in the Company’s independent auditing firm or its affiliates during 2018.

3.7 Changes in Shareholding and Shares Pledged by the Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More

A. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2018		2019 (As of April 15)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Charles Hsu	0	0	0	0
Director	Mu-Chuan Hsu	0	0	0	0
Director	How-Han Investment Corporation	0	0	0	0
Director	Li-Jeng Chen	245,000	0	0	0
Director and President	Rick Shen	4,282	0	0	0
Independent Director	Kenneth Kin	0	0	0	0
Independent Director	Ming-To Yu	0	0	0	0
Independent Director	T.C. Chen	0	0	0	0
Vice President	Ching-Yuan Lin	(3,000)	0	0	0
Vice President	Anita Chang	(2,000)	0	0	0
Vice President	Chris Lu	(55,000)	0	0	0
Vice President	John Ho	0	0	0	0
Vice President	Evans Yang	(5,000)	0	0	0
Vice President	Michael Ho	0	0	0	0
Accounting and Financial Officer	Teresa Kuo	0	0	0	0

B. Shares Trading with Related Parties

As of 04/15/2019；Unit: Share / NT$

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
Chris Lu	Grant	06/22/2018	Hui-Yi Huang	Spouse	55,000	NT$371 Per Share

C. Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

04/15/2019；Unit: Share；%

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Government of Singapore	5,328,000	7.03	N/A	N/A	N/A	N/A	None	None	None
SmallCap World Fund Inc.	4,024,334	5.31	N/A	N/A	N/A	N/A	None	None	None
Wen-Ching Li	2,571,000	3.39	-	-	-	-	None	None	None
Li-Jeng Chen	2,345,000	3.09	-	-	-	-	None	None	None
New Labor Pension Fund	1,947,000	2.57	N/A	N/A	N/A	N/A	None	None	None
Charles Hsu	1,629,407	2.15	1,423	0	-	-	None	None	None
eMemory Technology Inc.	1,567,000	2.07	N/A	N/A	N/A	N/A	None	None	None
Swedbank Robur Globalfond	1,561,500	2.06	N/A	N/A	N/A	N/A	None	None	None
MAS - GIC Private Limited	1,454,000	1.92	N/A	N/A	N/A	N/A	None	None	None
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Nordea 1 Emerging Stars Equity Fund	1,379,000	1.82	N/A	N/A	N/A	N/A	None	None	None

3.9 Ownership of Shares in Affiliated Enterprises

04/15/2019；Unit: Thousand shares；%

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers (Note 2)		Total Ownership	
	Shares	%	Shares	%	Shares	%
iMQ Technology Inc.	2,057	4.25	3,287	6.80	5,344	11.05

Note 1：Investments accounted for using equity method.
Note 2：If the Director or Supervisor is a legal entity, its shares include legal entity and its representative.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: Thousand shares / NT$ thousands

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
09/2000	10	40,000	400,000	30,895	308,950	Set up Capital : 308,950	Technology : 60,000	09/22/2000 Jin (089) Sun Tzu No.089134296
01/2002	10	40,000	400,000	40,000	400,000	Cash Offering : 91,050	None	01/09/2002 Jin So Sun Tzu No.09101006950
12/2003	10	60,000	600,000	46,000	460,000	Cash Offering : 60,000	None	12/11/2003 Yuan Shang Tzu No. 0920034610
11/2004	10	61,500	615,000	32,689	326,889	Capital Reduction : 203,111 Cash offering : 70,000	None	11/24/2004 Yuan Shang Tzu No.0930032426
10/2005	10	61,500	615,000	33,425	334,249	Exercise of Employee Stock : 7,360	None	10/24 /2005Yuan Shang Tzu No.0940028474
01/2006	10	61,500	615,000	33,500	334,999	Exercise of Employee Stock : 750	None	01/23/2006 Yuan Shang Tzu No.0950001176A
08/2006	10	61,500	615,000	38,357	383,565	Capitalization of Profits : 41,133 Capitalization of Employee Bonus : 7,433	None	08/01/2006Yuan Shang Tzu No.0950019826
10/2006	10	61,500	615,000	39,446	394,455	Exercise of Employee Stock : 10,890	None	10/23/2006 Yuan Shang Tzu No.0950027836
01/2007	10	61,500	615,000	39,452	394,515	Exercise of Employee Stock : 60	None	01/10/2007Yuan Shang Tzu No.0960000825
08/2007	10	61,500	615,000	44,869	448,694	Exercise of Employee Stock : 4,940 Capitalization of Profits : 41,721 Capitalization of Employee Bonus : 7,518	None	08/31/2007 Yuan Shang Tzu No.0960023515
10/2007	10	61,500	615,000	45,415	454,154	Exercise of Employee Stock : 5,460	None	10/16/2007 Yuan Shang Tzu No.0960027729
01/2008	10	61,500	615,000	45,558	455,584	Exercise of Employee Stock : 1,430	None	01/28/2008 Yuan Shang Tzu No.0970002528
04/2008	10	61,500	615,000	45,744	457,444	Exercise of Employee Stock : 1,860	None	04/29/2008 Yuan Shang Tzu No.0970011421
07/2008	10	61,500	615,000	53,497	534,974	Exercise of Employee Stock : 1,690 Capitalization of Profits : 64,050 Capitalization of Employee Bonus : 11,790	None	07/29/2008 Yuan Shang Tzu No.0970020537
11/2008	10	61,500	615,000	53,966	539,664	Exercise of Employee Stock : 4,690	None	11/06/2008 Yuan Shang Tzu No.0970031028
01/2009	10	61,500	615,000	54,116	541,164	Exercise of Employee Stock : 1,500	None	01/19/2009 Yuan Shang Tzu No.0980001857
04/2009	10	61,500	615,000	54,300	543,004	Exercise of Employee Stock : 1,840	None	04/20/2009 Yuan Shang Tzu No.0980010553
08/2009	10	80,000	800,000	60,392	603,916	Exercise of Employee Stock : 800 Capitalization of Profits : 54,116	None	08/05/2009 Yuan Shang Tzu No.0980021773

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
						Capitalization of Employee Bonus : 5,995		
10/2009	10	80,000	800,000	60,427	604,266	Exercise of Employee Stock : 350	None	10/26/2009 Yuan Shang Tzu No.0980030178
02/2010	10	80,000	800,000	62,422	624,221	Exercise of Employee Stock : 19,955	None	02/11/2010 Yuan Shang Tzu No.0990004274
03/2010	10	80,000	800,000	62,452	624,521	Exercise of Employee Stock : 300	None	06/02/2010 Yuan Shang Tzu No.0990015194
08/2010	10	100,000	1,000,000	65,358	653,567	Exercise of Employee Stock : 320 Capitalization of Profits : 18,727 Capitalization of Employee Bonus : 10,000	None	08/26 /2010Yuan Shang Tzu No.0990024779
10/2010	10	100,000	1,000,000	65,378	653,777	Exercise of Employee Stock : 210	None	10/29/2010 Yuan Shang Tzu No.0990032379
01/2011	10	100,000	1,000,000	76,086	760,855	Exercise of Employee Stock : 7,078 Cash offering : 100,000	None	02/09/2011 Yuan Shang Tzu No.1000003917
01/2012	10	100,000	1,000,000	76,514	765,138	Exercise of Employee Stock : 4,283	None	01/17/2012 Yuan Shang Tzu No.1010001845
05/2012	10	100,000	1,000,000	76,706	767,058	Exercise of Employee Stock : 1,920	None	05/09/2012 Yuan Shang Tzu No.1010013550
11/2012	10	100,000	1,000,000	76,833	768,323	Exercise of Employee Stock : 1,265	None	11/06/2012 Yuan Shang Tzu No.1010034298
02/2016	10	100,000	1,000,000	75,783	757,823	Cancellation of Treasury Shares: 10,500	None	02/18/2016 Zhu Shang Tzu No. 1050004206
04/2018	10	100,000	1,000,000	75,791	757,908	Exercise of Employee Stock : 85	None	05/09/2018 Zhu Shang Tzu No. 1070013293
Note	10	100,000	1,000,000	75,805	758,050	Exercise of Employee Stock : 142	None	Note

Note：The 14,250 shares of the employee stock options executed in April 2019 have not been registered.

04/15/2019；Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common Share	75,804,992	24,195,008	100,000,000	TPEx stocks

Note：The 14,250 shares of the employee stock options executed in April 2019 have not been registered.

4.1.2 Status of Shareholders

04/15/2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	9	157	5,861	155	6,182
Shareholding (shares)	0	3,551,000	13,351,552	26,555,138	32,347,302	75,804,992
Percentage (%)	0	4.68	17.61	35.04	42.67	100

4.1.3 Shareholding Distribution Status

04/15/2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	4,127	79,614	0.11
1,000 ~ 5,000	1,428	2,607,693	3.44
5,001 ~ 10,000	179	1,414,533	1.87
10,001 ~ 15,000	88	1,135,069	1.50
15,001 ~ 20,000	57	1,015,332	1.34
20,001 ~ 30,000	66	1,674,933	2.21
30,001 ~ 40,000	38	1,333,248	1.76
40,001 ~ 50,000	30	1,346,067	1.78
50,001 ~ 100,000	57	4,191,751	5.53
100,001 ~ 200,000	49	7,270,144	9.59
200,001 ~ 400,000	23	6,171,812	8.14
400,001 ~ 600,000	9	4,329,000	5.71
600,001 ~ 800,000	8	5,508,679	7.27
800,001 ~ 1,000,000	5	4,793,000	6.32
1,000,001 or over	18	32,934,117	43.43
Total	6,182	75,804,992	100.00

4.1.4 List of Major Shareholders

04/15/2019

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Government of Singapore	5,328,000	7.03
SmallCap World Fund Inc.	4,024,334	5.31
Wen-Ching Li	2,571,000	3.39
Li-Jeng Chen	2,345,000	3.09
New Labor Pension Fund	1,947,000	2.57
Charles Hsu	1,629,407	2.15
eMemory Technology Inc.	1,567,000	2.07
Swedbank Robur Globalfond	1,561,500	2.06
MAS - GIC Private Limited	1,454,000	1.92
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Nordea 1 Emerging Stars Equity Fund	1,379,000	1.82

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$ / Thousand shares

Item			2017	2018	2019 (As of April 15) (Note 4)
Market Price per Share (Note 1)	Highest Market Price		470.0	455.0	383.0
	Lowest Market Price		345.5	181.0	241.0
	Average Market Price		413.09	289.46	298.73
Net Worth per Share (Note 2)	Before Distribution		27.25	23.36	25.76
	After Distribution		19.75	(Note 2)	N/A
Earnings per Share	Weighted Average Shares		75,783	75,425	74,224
	Earnings Per Share		7.90	8.13	2.39
Dividends per Share (Note 3)	Cash Dividends		7.499	(Note 3)	N/A
	Stock Dividends	Dividends from Retained Earnings	-	(Note 3)	N/A
		Dividends from Capital Surplus	-	(Note 3)	N/A
	Accumulated Undistributed Dividends		-	(Note 3)	N/A
Return on Investment	Price / Earnings Ratio (Note 5)		51.24	40.00	N/A
	Price / Dividend Ratio (Note 6)		53.97	40.65	N/A
	Cash Dividend Yield Rate (Note 7)		1.85%	2.46%	N/A

Note 1: Market price per share is based on the information posted on the official website of TPEx.

Note 2: Information on 2017 is based on the resolution of the Shareholders' Meeting in 2018; the distribution of profits for 2018 is still pending on the final resolution of the Shareholders' Meeting in 2019.

Note 3: Cash dividend paid by eMemory for 2018 is NT$8 per share (dividend from the retained earnings amounted to NT$7.5 and from capital Surplus amounted to NT$0.5). This proposal is pending on the final resolution of the Shareholders' Meeting in 2019.

Note 4: The net worth and earnings per share in this column are the information on the reviewed consolidated financial statements for the first quarter of 2019.

Note 5: Price / Earnings Ratio = Average Closing Price per Share in current year / Earnings per Share.

Note 6: Price / Dividend Ratio = Average Closing Price per Share in current year / Cash Dividends per Share.

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price per Share in current year.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

If there is any profit in an annual general financial statement of the Company, such profit shall be distributed in the following orders:

1. Reserve for tax payments.
2. Offset accumulated losses, if any.
3. Legal reserve, which is 10% of remaining net profits after deducting the aforementioned items. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. The remaining net profits and retained earnings from previous years will be allocated as shareholders' dividend. The Board will prepare a distribution proposal and submit it to the Meeting for review and approval by a resolution.

Since the Company is in an industry in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment and capital needs, and capital budgeting plans. The proposal should strike a balance between the shareholders' benefits and the Company's long-term financial plans. Dividends to shareholders shall not be less than 50% of the remaining retained earnings available for distribution and may be distributed in cash or in stock. Cash dividends shall not be lower than 10% of total dividends to shareholders. Each year the Board shall prepare a profit distribution proposal and present it at the Meeting for approval.

B. Proposed Distribution of Dividend

The proposal for 2018 profit distribution was resolved by the Board dated February 26, 2019; pending on the final resolution of the Shareholders' Meeting scheduled on June 13, 2019 with authorization to the Chairman for setting the ex-dividend day.

eMemory Technology Inc.
Statement of Profit Distribution
2018

Unit: NT$

Item	Amount
Beginning Balance of Unappropriated Retained Earnings	**$ 18,562**
Effect of Retrospective Application (IFRS9)	72,706,319
Adjusted Beginning Balance of Unappropriated Retained Earnings	**72,724,881**
Remeasurement of Defined Benefit Plans Counted in Retained Earnings	(1,650,219)
Unappropriated Retained Earnings After Adjustment	**71,074,662**
Net Profit of 2018	613,106,194
10% Legal Reserve Appropriated	(61,310,619)
Special Reserve Appropriated	(61,006,060)
Retained Earnings Available for Distribution	**561,864,177**
Distribution of Shareholder Dividends - Cash (NT$ 7.5 per share)	**(556,678,065)**
Ending Balance of Unappropriated Retained Earnings	**$ 5,186,112**

Chairman: Charles Hsu President: Rick Shen Accounting Officer: Teresa Kuo

Remarks: 1. According to the Rule No.871941343 issued by the Ministry of Finance on April 30, 1998, when distributing earnings, it shall be identified respectively; the earnings distributed in this year shall be those of the latest year.

2. The shareholder cash dividends is in a total amount of NT$ 556,678,065, to be distributed by NT$ 7.5 per share, this is calculated by basing on the issued 74,223,742 outstanding shares up to February 25, 2019, and rounded down to the nearest whole number, the fractional balance less than NT$ 1 shall be summed up and recognized as other income of the Company.

C. Anticipation of Future Change in Dividend Policy: None.

4.1.7 Impact to 2018 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Compensation of Employees, Directors and Supervisors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible employees in the form of cash or stock for profit sharing. No more than 2% of the profit shall be distributed to directors for compensation.

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

In case of variation between the amount resolved by the resolution of the Shareholders' Meeting and the estimation in the financial statements, the difference is recognized as a change in accounting estimate and recognized as income or loss in current period.

C. Distribution of Compensation Approved in the Board of Directors Meeting

(1) Employee compensation sharing, stock dividend, and remuneration to the directors and the supervisors in the year of recognition varied with the estimation, disclose the differences, specify the cause, and the settlement of the problem:

a. The employees' compensation and the remuneration of Directors of 2018 had been resolved by the Board of Directors on February 26, 2019, the distribution of mentioned compensation and remuneration is set forth below:
① The distribution of employees' compensation is in an amount of NT$ 125,538,472.
② The distribution of remuneration of Directors is in an amount of NT$ 12,553,847.

b. There is no difference between the distributed amounts mentioned above and the assessed amounts of employees' compensation and remuneration of Directors.

(2) The amount of employee stock compensation planned to be released in proportion to the net income of the individual financial statements of The Company and to total employee compensation: Not applicable.

D. Information of 2017 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated

Unit: Thousand shares / NT$ thousands

Item	Amount for Distribution Resolved by the Board of Directors	Estimation in the Year of Recognition	Difference	Shares (1,000 shares)	Share Price (NT$)	Note to the Difference
Employees' Compensation	121,477	121,477	-	-	-	N/A
Remuneration of Directors	12,148	12,148	-	-	-	N/A

4.1.9 Status of Repurchase of Shares

04/15/2019

Number of times	Third time
Purpose	Transferring the shares to employees
Actual period of the repurchase	September 14, 2018 ~ October 31, 2018
Estimated price range for repurchase	NT$ 177.8~ NT$ 400
Average repurchased price per share (NT$)	NT$ 257.97
The amount of actually repurchased shares (shares)	1,567,000 shares
The total amount of actually repurchased shares (NT$)	NT$ 404,237,872
Shares deregistered and transferred (shares)	0
Cumulative holding (shares)	1,567,000 shares
Cumulated holding as a percentage of total issued shares (%)	2.07%

4.2 Bonds Status of Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDRs): Not applicable.

4.3 Status of Employee Stock Options

4.3.1 Issuance of Employee Stock Options

04/15/2019；Unit: Thousand shares / NT$ thousands

Type of Stock Option	First Stock Option of 2016 (Issuance on 02/23/2016)	First Stock Option of 2019 (Not yet issued)
Approval Date	12/30/2015	01/02/2019
Issue Date	02/23/2016	-
Units Issued	500	-
Percentage of Shares Exercisable to Outstanding Common Shares	0.65971%	-
Option Duration	10 years (to 02/22/2026)	5 years
Source of Option Shares	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	22.75	-
Value of Shares Exercised	7,604	-
Shares Unexercised	456 (Note)	-
Adjusted Exercise Price Per Share (NT$)	331.6	-
Percentage of Shares Unexercised to Outstanding Common Shares	0.60154%	-
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note：The shares had been deducted due to employee turnover.

4.3.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

04/15/2019

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive officers	President	Rick Shen	148,500	0.20%	-	-	-	-	148,500	331.6	49,243	0.20%
	Vice President	Ching-Yuan Lin										
	Vice President	Anita Chang										
	Vice President	Chris Lu										
	Vice President	John Ho										
	Vice President	Evans Yang										
	Vice President	Michael Ho										
	Accounting and Financial Officer	Teresa Kuo										
Employees	Department Manager	Shih-Chen Wang	101,000	0.13%	3,000	331.6	995	0.00%	98,000	331.6	32,497	0.13%
	Staff Project Manager	Hung-Hsiang Wang										
	Senior Director	Chun-Hung Lin										
	Deputy Director	Chun-Fu Lin										
	Director	Shih-Yun Lin										
	Senior Director	Wein-Town Sun										
	Director	Hsin-Kun Hsu										
	Senior Director	Hsin-Ming Chen										
	Staff Project Manager	Shih-Chan Huang										
	Senior Director	Tsung-Mu Lai										
	Department Manager	Ming-Shan Lo										

4.4 Status of New Restricted Employee Shares：Not applicable.

4.5 Status of New Share Issuance in Connection with Mergers and Acquisitions：Not applicable.

4.6 Financing Plans and Implementation：Not applicable.

V. Business Overview

5.1 Business Activities

5.1.1 Scope of business

A. Main business activities

① CC01080 Electronic Parts and Components Manufacturing
② I501010 Product Designing
③ F601010 Intellectual Property (IP)
④ CC01050 Data Storage and Processing Equipment Manufacturing
⑤ Research, development, manufacture and sales of the following products:

a. Flash Memory Integrated Circuits (IC)
b. Embedded flash memory IC IP (Embedded Non-Volatile Memory)
 i. Embedded One-Time Programmable Memory SIP
 ii. Embedded Flash Memory SIP
 iii. Embedded Multi-Time Programmable Memory SIP
c. Memory card output/input controllers
d. Memory card and digital film related products

B. Revenue composition

Unit : NT$ thousands

Revenue Streams	2017		2018	
	Net Revenue	Revenue Contribution	Net Revenue	Revenue Contribution
Licensing	388,184	28.22%	449,806	30.46%
Royalty	987,574	71.78%	1,026,710	69.54%
Total	1,375,758	100.00%	1,476,516	100.00%

C. Products and services as of now

Founded in September 2000, eMemory is a Silicon Intellectual Property (SIP) design company owning over 600 patents. eMemory is dedicated to the technology development and applications of embedded non-volatile memories.

eMemory focuses on technology innovation, namely the creation of new embedded non-volatile memories within existing process platforms (e.g. Logic, Radio-Frequency, High Voltage, and BCD processes). Unlike other companies that introduce new materials/processes or adopt unstable device operation modes for their non-volatile memory technology, eMemory technology platforms are already available in world-wide foundries with our versatile offerings able to meet the different needs of IC design houses. This ensures shorter product development times and removes the issue of incompatible processes.

SIP is intellectual property. Users (customers) are licensed for usage and rights to manufacture, while the property right is still possessed by the inventor. Users shall be charged using the SIP for product design or production. Depending on the usage, eMemory shall collect a License fee, Usage fee, or Non-Recurring Engineering (NRE), Royalty, or a combination of the above. Descriptions of the fees are as follows:

① License Fee

eMemory's main licensing customers are semiconductor foundries. Due to patent entry barrier or expertise in mass production, customers must rely on eMemory's technology. License fee generally refers to the fee charged according to individual process platform (e.g. 0.5um，0.35um，0.25um，0.18um，65nm，40nm，28nm, 16nm, 10nm, 7nm and so on).

② Usage Fee

Usage fee is applicable to customers who adopt available macro. Customers are subject to a fee for each usage. In other words, if a customer uses the same macro on 3 different products, the customer shall pay 3 times the usage fee.

③ NRE

This is the fee for the development of customized macro.

④ Royalty

In general, this is the fee charged according to a certain ratio of the wafer or product price.

D. New product development plan

eMemory focuses on the design and development of embedded NVM technologies. Our proprietary SIP technologies include NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP, which have all been deployed on various process platforms. These technologies have been introduced to different production processes in leading foundries for mass production. New development plans will further push our core technologies towards advanced nodes, ranging from 28 nm down to 7nm logic process technologies. To respond to TSMC's "more than Moore" strategy, eMemory will expand value-added solutions onto matured process platforms by deploying IP into high-voltage, MEMS, BCD, CIS, analog, and SOI processes to meet the needs of one-stop shopping SIP solutions. The development plans are as follows:

① Increase process platform coverage.

② Expand the product applications from existing customers (of NeoBit) by deploying NeoFuse, NeoPUF, NeoEE, and NeoMTP for new markets.

③ Expedite the development progress of new technologies for NeoFuse, NeoPUF, and NeoMTP.

5.1.2 Industry overview

A. Current status and future development of the industry

(1) SIP industry background

IP (Intellectual Property) refers to intangible asset recognized and protected by law. Without permission from IP owners, no replication or use is allowed. Silicon Intellectual

Property (hereinafter, "SIP") is a function block, consisting of IPs and know-hows, which has been initially defined and qualified for repetitive usage.

SIP cell is a pre-designed and qualified macro. With adjustable parameters, these cells can be tail-made at customer requirements or product specifications. IC designers use these SIP cells to realize a part of the design functions without redesigning this function block. To get a head start, the use of SIP substantially brings down development timeline thereby accelerates the time to market.

SIP was originated after the mid-1990s. Nowadays, consumer electronics products are getting lighter, slimmer, and smaller. A System-on-a Chip (SoC) utilizing SIP blocks can greatly reduce the time for product qualification and integration; hence product developers can focus their efforts on verifying few new functions. This in turn minimizes the required engineering efforts that are needed to meet the customer adjustment requests. Therefore, product developers can concentrate on product core competencies while being agile enough to respond to unpredictable market demands.

High complexity and short development time in IC industry highlight the importance of IC design productivity. It is foreseen that the number of transistors in a semiconductor chip will increase year-over-year. Through purchasing or licensing SIP cells, it gains a greatly competitive advantage. It not only reduces IC designers' burden but also greatly shorten product development time, as well as increase products' competitive advantages in time-to-market. As such, the inevitable trend is to design the System-on-a Chip by using SIP cells.

(2) Industry outlook

The forecasts made by IEK shows that the semiconductor industry will continue to grow 5 years ahead on account of PCs (28%) and Mobile phones (22%), but the market growth gets slower at 3% CAGR. Intelligent electronics are unmistakable trends as IoT applications are deemed to be the Next Big Things. To boost new applications against the existing market segments of PC and mobile phone will be a challenge in IC industry. New applications, such as smart edge devices for autotronics, health care, industry 4.0, transportation and home appliances, are expected to pick up the declining demand from phones and tablets driven by the "low-cost' trend. Furthermore, the development of smart edge devices helps to increase the overall growth in revenue of IC industry. The revenue will continue to grow with an expected annual growth rate of 10%.

According to the reviews from IEK ITIS in 2018, the production value generated by Taiwanese semiconductor industry amounted to nearly NT$2.61 trillion, indicating a 5.9% growth compared to 2017. Due to few commodity memory shipments in Taiwan, it was inferior to the 13.7% growth in 2017 worldwide. eMemory has a 7.3% growth in 2018, outperforming the domestic IC industry.

eMemory focused on SIP business and became a pure SIP vendor since 2013, when all revenue with 100% gross margin were from royalty and upfront fee (including license fee and technical service fee). Due to continuous improvement in internal operation logistics and global business development, the revenue from upfront fee and royalty continues to grow year-over-year. Also, compared to 2017, royalty in 2018 grew 4.0% and our market share increased substantially.

Right in the information age, demand for SIP will grow further along with the IC design industry market size. The innovative SIP licensing business model leads IP vendors towards niche markets as it doesn't involve production but creates a good value of technology licensing with license fee and royalty in return. Having advantages of low operation cost and high gross margin, IP industry is superior to other entities in the semiconductor industry value chain.

The development of SoCs created a structural change in IC design industry. Soon afterwards, when the benefits of reusable SIP cells were understood, it contributed to even higher growth in the SoC development. Currently, with many of the global leading foundries (with advanced process and high production capacity) and numerous IC design houses all located in Asia, there is unlimited business potential for SIP providers who are also in Asia.

B. IC industry supply chain in Taiwan

Group	Roles	Products	Major Players
Upstream	SIP Development, Design Service and IC Design	SIP cells, Circuitry Product	eMemory, MTK, Novatek, GUC
Midstream	Mask & Wafer Production	Wafer	TSMC, UMC, VIS
Downstream	Package & Testing	Backend services for IC package and test	ASE, SPIL, KYEC

SIP is among the top in the upstream of IC industry and facilitates the overall productivity in IC design and manufacturing.

C. Megatrend in IC industry

(1) Reusable SIP

Product delivery timeline is a major indicator of competitiveness. As the industry is inclined toward specialization, the use of SIP cells will be the key to success.

(2) Qualified and reliable SIP

Expense on product development is heavy due to the complexity and uncertainty in a SoC design. In the advanced process nodes, using non-qualified SIP equals risk. Therefore, the adoption of qualified SIP from a third party will greatly reduce production risks; among which foundries are the most objective and convincing. SIP qualified by multiple foundry companies not only indicates the production flexibility of fab-to-fab porting but also demonstrates the wide availability in various process platforms.

(3) Continuous deployment in advanced process nodes

From 55nm down to 7nm and beyond, logic NVM SIPs in logic or high performance computing (HPC) process platforms are frequently deployed into memory repair, security setting, feature selection, chip identification, analog trimming, Digital Rights Management (DRM) and code storage. These are used in application processors, FPGA, AI accelerators, multi-media, SSD drive, network processors and commodity DRAMs.

In the age of IoT, smartphones, autotronics and bioelectronics where data security is at the utmost, this category will play a key role. Logic NVM provides the storage capability of analog trimming, security as well as chip identification for display driver IC, power management IC and sensor controller. The process platforms, due to the needs of higher performance, migrate from 0.35 and 0.25um HV/BCD/logic toward 40nm/28nm HV, 0.13um/90nm BCD and 55/40nm logic process.

As for high density (1~4M Bytes) requirements, Logic NVM SIP is embedded for code storage to supersede ROM and reaches a high level of integration as well as meeting the needs of security. They are widely applied in wireless applications including Wi-Fi, Bluetooth, and smartphones.

D. Competition

From the perspectives of Logic NVM SIP that eMemory specializes in, the other competitors in Taiwan are still in the stage of technical development. On the other hand, two of the foreign main competitors have just been acquired, thus the result of acquisition is not yet clear. From the perspective of design services, except for Andes and M31 that offers SIP licensing, the remaining, such as Global Unichip Corp., Faraday Technology Inc. and Alchip, concentrate on providing ASIC services as well as turnkey services with foundry strategic alliances. Therefore, those design service companies will derive less of their revenue from license fees and royalties, as compared to eMemory.

E. Key performance indicators (KPI)

Quantity of new tape outs (NTO) with eMemory IP					
2017			2018		
Target	Actual	Completion Rate	Target	Actual	Completion Rate
400	380	95%	418	422	101%

5.1.3 Short and long term business development plan

eMemory continuously increases market share through innovation, wide product applications and strategic partnerships worldwide. eMemory keeps playing a leading role as a SIP provider in embedded memory technology.

A. Short-term

(1) Marketing plan

a. Expand NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP's popularity through existing sales channels.
b. Collaborate with major companies in Europe, America, and Japan to develop local markets.
c. Develop product applications of emerging memory technology which is co-developed with technology partners.
d. Focus on the establishment of groundwork and expertise of SIP products and to optimize investment and return.
e. Provide customers with more comprehensive SIP platforms across worldwide foundries.
f. Increase the revenue contribution from NeoFuse, NeoPUF, NeoEE, and NeoMTP SIP.
g. Enhance on-time delivery to meet customer's needs.
h. Introduce existing technologies and SIP to new application segments.
i. Leverage distribution channels of partner foundries to enhance product promotion.
j. Utilize social media to gain exposure, popularity and technical expertise through publishing newsletters of new technology, application, and platform along with whitepapers.
k. Improve online system to maximize the bandwidth in serving customers 24/7.

(2) Financial plan

Make use of a robust business model to maintain a sound financial structure and optimized working capital.

B. Long-term

(1) Marketing plan

a. Establish technical service and sales local offices worldwide to boost regional sales, reputation, and market share.
b. Establish a one-stop shopping SIP platform to provide customers with comprehensive SIP choices and services.
c. Continue developing new products, applications, strategic partnerships, and markets.
d. Collaborate with worldwide foundries through strategic alliances to establish new technology and manufacturing platform and strengthen competitiveness.
e. Uplift adoption rate in advanced process nodes and develop new applications targeting products with higher ASP to enhance royalty income.
f. Develop high value-added and reliable logic NVM SIP, including industrial, automotive and security applications.

(2) Financial plan

Make use of diverse fundraising and financial initiatives to form a sound financial structure.

5.2 Technology and R&D Outlook

5. 2.1 R&D expense in previous year to the date this report was printed

Unit : NT$ thousands

	2018	2019 (As of March 31)
R&D Expense(A)	505,475	127,573
Net Revenue (B)	1,476,516	395,061
(A)/(B)	34.23%	32.29%

5.2.2 Technology or product successfully developed in previous year to the date this report was printed

Technology or product The Company successfully developed in previous year to the date this report was printed is as the following:

Date	Item
2018 to April 15, 2019	1. NeoBit (1)The first phase of the certification for 0.13um BCD automotive process covering the ISO26262 safety check has been completed. (2)Complete function check of 65nm BCD process OTP. (3)Complete function check of 0.13um green process OTP and has been introduced into initial production of customers. 2. NeoFuse (1)Complete function check of 7nm OTP. (2)Complete the reliability check of 12nm OTP and enter the mass production stage. (3)Complete OTP function check of 22nm ULP, ULL and SOI processes, and has been introduced into customer's risk production. (4)Complete functionality characterization of 25nm DRAM process OTP. (5)Expand 28nm HV process OTP platforms, and began to serve risk production of high-end OLED driver ICs. (6)Develop high density OTP technology for power management chips. 0.15um BCD is available for production. 3. NeoPUF (1)Launch industry-university joint research projects. (2)NeoPUF technology was announced and published in 2018 ISSCC symposium. The paper won the Takuo Sugano Outstanding Award of the year. 4. NeoEE (1)Has demonstrated 500K cycles high-endurance IP in 0.18um BCD process, which could replace stand-alone EEPROM for PMIC and MCU applications.

Date	Item
	(2)Has completed the design of an ISO26262-compliance IP using 0.11um BCD process. 5. NeoMTP (1)Completion of reliability check in 0.13um and 0.18 um BCD process nodes. Customers use the IP for wireless charging and Type-C power management chips; (2)Complete the high-temperature (150°C) reliability certification of 0.13 um BCD process. The IP meets the requirements of AEC-Q100 Grade 1 and can be applied for automotive power management applications; (3)Complete NeoMTP Gen-II development in the 0.18 um BCD process, which features smaller IP area with 30%~40% reduction. 6. EcoBit (1)Complete the qualification in 0.115um ultra-low-leakage process. The IP was already applied in customer's RFID Tag products.

5.3 Market Outlook and Production and Sales Overview

5.3.1 Market analysis

A. Main geographic regions for sales of products (services)

Unit : NT$ thousands

Geographic Regions	2017	2018
Domestic	833,085	880,511
Asia	503,575	530,545
America	22,474	51,242
Europe	16,473	13,910
Africa	151	308
Oceania	0	0
Total	1,375,758	1,476,516

B. Market share

According to the statistics compiled by IEK and its forecast, the production value of the IC design industry of Taiwan in 2017 amounted to NT$ 640.3 billion. In 2018, eMemory had revenue of NT$ 1,476,516 thousand or at 0.23% of the total market production value. With the introduction of newly developed technologies of NeoEE, NeoFuse, and NeoMTP and NeoPUF, the full product IP technologies portfolio is in place. The Company can provide customers diverse technical services which will benefit operational performance. With steady growth in business operation and increasing number of customers and new product adaptations, the revenue generates from technical service and licensing fee will continue to grow. Likewise, revenue from royalty will also increase, and market share of eNVM SIP will surge.

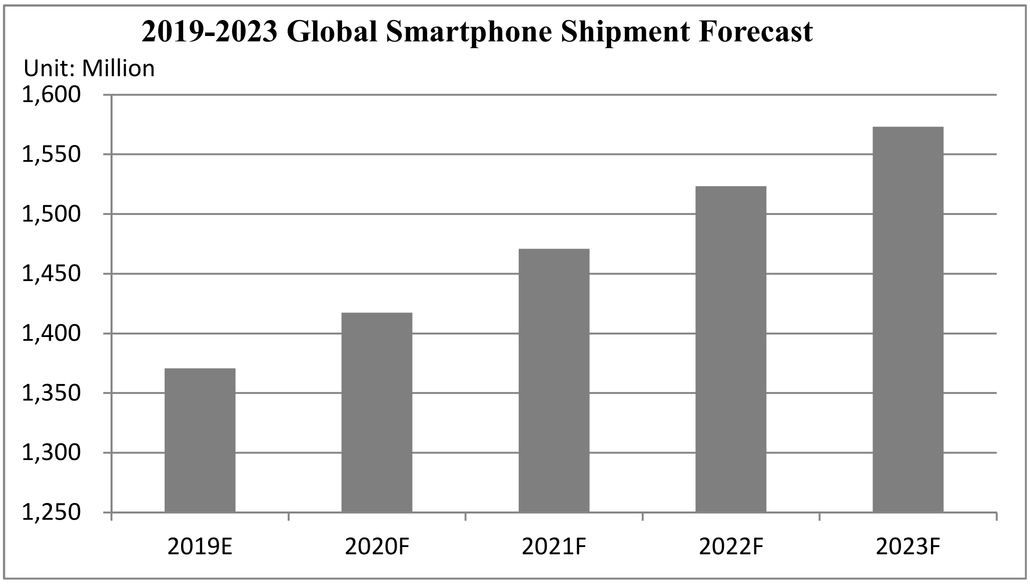
C. Market supply/demand and growth in the future

(1) Future market supply and demand

SIP is becoming increasingly important as global IC providers' demand in advanced process ndoe raise. The main market applications include mobile communication, consumer electronics, industrial electronics, and autotronics. eMemory has researched and developed series of eNVM technologies and SIP applicable to micro controllers ICs, LCD panel control ICs, LCD screen driver ICs, PMICs, high frequency signal ICs, short-range communication ICs, Bluetooth ICs, oscillator controller ICs, MP3 control ICs, battery power management ICs, voice ICs and autotronic ICs.

From the company's perspective, the market supply and demand suggested the rapid growth of portable devices in recent years increased the number of IC contained in the products, including CPUs, panel driver ICs, panel controller ICs, PMICs, touch panel ICs, communication ICs, and base band ICs. Furthermore, the fast growth new application markets, such as fingerprint ICs, portable DRAM, CMOS image sensors, and TDDI, will also contribute to the revenue.

According to the market information, the shipment volume of smart phone is projected to over 1.4 billion units in 2020, which still has the highest demend in consumer electronic field. Mobile devices is going to grow due to the continuous launch of innovative high-end products and the momentum comes from demand for mid to low-end products at the emerging markets. Besides, new applications in AR/VR and autoronic's will also drive the total production value to grow.



Source: DIGITIMES, eMemory 2019/03

(2) Market growth potentials

As the integration of SoC increases, the demand for light-weighted compact products become the mainstream of IC technology development. Factors including increasing proportion of design outsourcing, raising cost of new process mask and technology development, and the IC complexity which lead to longer cycle time, all of which have made SIP become the key to accelerate SoC development. The complex SoC design and production process resulted in increasing division of labor in the semiconductor industry.

The use of SIP for SoC design reduces designers' burdens and the development time substantially. This is critical for enhancing competitive advantage in terms of time-to-market; as the result, SoC becomes increasingly dependent on SIP.

The rapid development of semiconductor production node and the increasing demand for compact, slim, and light-weighted products which require a greater variety of functions has led the IC design to the integration of multi-functionality and embedded design including application processor IC, stacked CMOS image sensor, fingerprint sensor, autoronic image system. As such, the raising era of communication, home appliance, and personal service communication, the scale of the IC design market continues to expand. The destructive innovation eNVM SIP from eMemory transcend traditional logic process into the eNVM logic process, which makes SoC circuit design simple and easy to accomplish, while reducing SoC development and manufacturing cost, and achieve higher performance efficiency to meet the requirement of IoT and autotronics. We not only build the floating gate structure on mature manufacturing platform but also introduce the NeoFuse on advanced node platform (7nm~65nm). This provides our clients product development and testification under multiple platform, increasing flexibility for the production and enhancing the competitiveness of the business. As such, the promising future of silicon intellectual device is foreseen.

D. Competitive advantages

(1) Rich eNVM technologies portfolio

eMemory has dedicated its resources in the research and development of eNVM since its establishment, focusing on the application of NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP technologies. These technologies were not only testified by many leading foundries, but also successfully applied into 0.5 um to 28 nm process node for customer's need in mass production. Furthermore, our technologies expand to 22nm, 16nm, 10nm, 7nm advance nodes, fulfilling customers' different need. The eNVM technology is applicable to all kinds of CMOS process (including logic, analog, M-M, HV, SiGe, CIS, EEPROM, and DRAM, etc) with wide applications, allowing customers to directly apply into their design without modifying components characters of customers' products to shorten the development time. For example, it takes 2~3 years to introduce eNVM (e.g., embedded flash or EERROM) technology in 0.13um and 90nm process platform. It may take even longer for 55nm and 40nm process. Yet it takes only 6 to 9 months for porting NeoBit, NeoEE, NeoFuse, or NeoMTP technology to each process node.

(2) IP technology features one-time/multiple-times programmable function; allowing higher flexibility of production and sales for customers

In general, program code mask must be introduced in ROM device manufacturing process. In other words, program code is already added in the production process that there is no flexibility for product program code adjustment later on. In addition, program codes of different versions also pose problems for mask and inventory management. NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP eNVM can be directly added to the memory device in the logic device manufacturing process. The product itself features one-time/multiple-times (OTP/MTP) programmable function. Therefore, special application providers can write in the program code before delivery to specific customers, or provide the code for the customers so that they could update the program code or data. These features provide IC providers greater production and sales flexibility, bringing the advantage of greater variety in small quantity and fast delivery.

(3) Strong research and development team

The Company has oriented towards the research and development of its own technologies since its establishment. The Chairman of eMemory, Dr. Charles Hsu, is a member of world-renowned NVM Committee. Former Director of the Institute of Electronics Engineering at National Tsing-Hua University, Dr. Hsu first propose the P-type tunneling flash memory in 1992, and has been awarded the "Outstanding Research Award" by National Science Commission in 1997 and 1999.

Chairman Hsu leads a research and development team with outstanding professionals and rich work experience, and has acquired more than 600 patents around the world. The patented technology of eNVM developed by this team has won the gold medal of "2005 National Invention and Creation Award" in October 2005, the Innovative Enterprise Award of the "Industrial Technology Advancement Award" by Ministry of Economic Affairs in October 2008, the "2008 National Invention and Creation Award" by Intellectual Property Bureau of Ministry of Economic Affairs, the "Excellent Manufacturers Innovation Product Award and R&D Achievement Award" by Hsinchu Science Park Bureau of Ministry Science and Technology in December 2017, and Excellence in Innovation First Prize of the"National Industry Innovation Award" by Ministry of Economic Affairs in April 2019 .

The Company is dedicated to the development of advanced technologies and makes ceaseless effort in the training and recruitment of talents. By providing full-range design resources and reliable technical supports, The Company makes the products of its customers highly competitive.

(4) Outstanding management team

Most of the management team members came from renowned companies, who have rich experience in business operation and are specialized in research and development, business, and operation management. With the same believe, the team leads the company towards substantial growth.

(5) Strong partnership with leading foundries

Our collaborative foundries are all worldwide leading foundries with the best process technology, yield rate, and delivery. Our eNVM technology, IP licensing, manufacturing technology, and design service has passed strict qualification and successfully assisted foundries to launch mass production. From 2010 to 2018, eMemory was recognized as the Best IP Partner by TSMC for 9 consecutive years, and received the best SMIC IP Partner Award from 2013 to 2016. In addition, the company has also been highly-recognized by UMC and GlobalFoundries. Looking towards the future, the strategic alliance with foundries will bring growth momentum and further expanded the market share.

(6) Zero-inventory contributed to the capital flexibility

The sole business of the company is eNVM IP licensing with zero-inventory. The company is not a manufacturer. Without factories, machinery, and equipment and other sizable capital expenditures, eMemory can use the working capital with high flexibility.

(7) Full-range and efficient service quality

The company has established a customer technical service system. With well-developed process management mechanism, the company can provide customers the timely and accurate delivery of technical documents. Unlike other foreign SIP suppliers, when the SIP supplied is not compatible with customers' products, it is the customers who is responsible for seeking for solutions. On the country, eMemory focuses the compatibility of SIP technology and customers' IC, and will provide a complete solution for customers in case of any issues.

E. Favorable and unfavorable factors for corporate development and the responding measures

(1) Favorable factors

a. Specialization of the semiconductor industry

The close relation of the upper- and lower-stream of the industry is beneficial to the formation of the supply chain.

With more than 30 years of experience, the semiconductor industry in Taiwan has a complete semiconductor industry chain.

The prosperity of Taiwan IC design industry also stimulates the growth in SIP industry. Leading foundries include TSMC, UMC, and VIS can provide the platform for SIP qualification. The reliability and the complete SIP portfolio provide customers a solid product foundation. Therefore, the cooperative relation between eMemory and the customers could be bolstered.

b. Geographic advantage

The IC market is focus on Asia, therefore, companies will approach the market to enhance the service efficiency and quality. The majority of leading foundries are mainly located in Taiwan, Mainland China, Korea, and Singapore. There are large IDMs in Japan and Korea while IC design companies tend to clatter in Taiwan and Mainland China. The cost advantage in Asia attracts semiconductor industry to the region. Therefore, eMemory has the excellent advantage.

(2) Unfavorable factors and responding measures

a. Insufficient SIP design talents in Taiwan

SIP design is a typical knowledge economy, the key to success lies in the R&D ability. However, there is a scarcity of talents with profound and professional knowledge. Moreover, in order to cultivate the centripetal force for employees, it takes higher cost in human resources.

【Responding Measures】

i. The company provide external and internal education and on-the-job training for employees. Moreover, with the cooperative programs with universities, the company can also recruits students with good performance.

ii. An employee's incentive program is also introduced. Employees with excellent performance will be rewarded correspondingly.

b.The industry is promising, leading to the increasing number of competitors

SIP will be the trend of the semiconductor industry. As the IC design became increasingly complex, particularly in the design of SoC and embedded design, it makes the IP licensing an indispensable part of the operation. eMemory is the leader of eNVM technology and IP application. The eNVM technology has become a critical circuit block for mainstream products, which will attract more competitors.

【Responding Measures】

i. Develop high value-added design service technology to provide rapid and accurate solutions for customers.
ii. Develop applications for new products and assist customers to enhance their products performance or competitiveness.
iii. Continue the effort in innovation and provide customers a full-range solution for eNVM IP.
iv. Broaden the client base and continue to develop the international market and increase the market share.
v. Continue to enhance service quality.

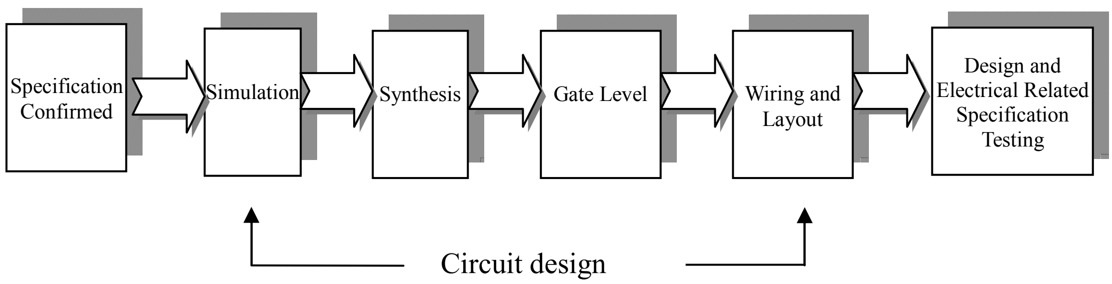
5.3.2 Main products' applications and production flows

A. Main products' applications

The main products of the company covers embedded memory technologies and IP design service. The main applications of the embedded memory include communication equipments, autotronics, home appliances, and communication and consumer electronics.

B. Main products' production flow

eMemory is an IP provider without physical products. The IP service flow chart is shown below:



5.3.3 Supply of Key Materials

eMemory is a professional SIP provider, offering production technology and design service of eNVM technology and IP licensing. The principal business is licensing and does not require supply of materials.

5.3.4 Major suppliers and clients

A. Major suppliers in the last two years

Under the adjustment of business strategy from the second half of 2011 onward, The Company decided to focus on IP production and planned to gradually reduce the proportion of income from wafer production service, and made no purchase of wafer in the last two years.

B. Major clients in the last two years

Unit: NT$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company A	578,233	42.03%	-	Company A	569,527	38.57%	-	Company A	164,389	41.61%	-
2	Others	797,525	57.97%	-	Others	906,989	61.43%	-	Others	230,672	58.39%	-
	Net Sales	1,375,758	100.00%		Net Sales	1,476,516	100.00%		Net Sales	395,061	100.00%	

Note: The major revenue contribution from Company-A is royalty. In the past three years, the major items are the smart phone and mobile device's power management IC, display driver IC, fingerprint IC and MEMS sensor IC etc. MCU, digital TV and STB are also included.

5.3.5 Production in the last two years

The company is a professional company of SIP, which is not engaged in production and manufacturing; therefore, the production is not applicable.

5.3.6 Shipments and sales in the last two years

Unit: NT$ thousands

Year / Shipments & Sales / Major Products	2017				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Licensing	0	111,753	0	276,431	0	134,965	0	314,841
Royalty	0	721,332	0	266,242	0	745,546	0	281,164
Total	0	833,085	0	542,673	0	880,511	0	596,005

5.4 Human Resources

Year		2017 (Note)	2018	2019 (As of April 15)
Number of Employees	Sales & Marketing	35	35	35
	Administration	38	40	41
	R&D	165	175	177
	Total	238	250	253
Average Age		38	38	38
Average Years of Service		6.8	7.1	7.3
Education	Ph.D.	3.0%	2.8%	2.8%
	Masters	60.5%	65.2%	64.4%
	Bachelor’s Degree	36.1%	31.6%	32.4%
	Senior High School	0.4%	0.4%	0.4%
	Below Senior High School	-	-	-

Note：Including the number of employees of the subsidiary Lotus Glade Investment Inc., but the subsidiary has been merged into the Company on November 28,2017.

5.5 Environmental Protection Expenditure

Any losses deriving from environmental pollution (including compensation) and the penalty in the previous year to the date this report was printed. Specify the cause of pollution and the response (including corrective actions) and the possible expenses (including possible loss due to no corrective actions are taken, penalties, and compensations. If the total amount cannot be reasonably estimated, specify the facts): None.

5.6 Labor-Management Relations

5.6.1 Employee benefit program, continuing learning, training, retirement system and its implementation, and the labor-management agreement and the protection measures of employees’ rights

A. Employee benefit program

The "Employee Welfare Committee" of the Company had been established on September 18, 2002, and approved by the Hsinchu Science Park Bureau for reference, the funds are set aside monthly, the employee welfare activities are periodically held, the welfare programs are planned detailedly and so budgeted, including gift coupons for annual holidays, group entertainment activities, domestic and overseas travel activities, subsidies for wedding and funeral, subsides for birth, pension for hospitalization, birthday party, year-end party lottery, physical examination, labor and health insurances, group insurance(including spouse and child are insured for free), travel accident insurance for business trip, free dessert/beverage bar, subsidy for afternoon tea coupon, subsidy for parking space, subsidy for gymnastic for fit, specific nursing room, personal birthday leave, and eMemory's favorable leaves which are granted under the conditions better than the requirements of laws and regulations.

B. Employees' continuing learning and training status

(1) To orientate the rapid change of technology in the industry and ensure the development of employees' talents to achieve the joint target for the Company, that training is a major point of the management of human resource. The scope covers related trainings including employees' skill, knowledge, language, computer and management, which will improve the professional skill and knowledge of employees as well as enhancing the working attitude. The Company provides employees for the training opportunities and funds, which expects the employees would contribute what he or she had learned to improve the quality and profession of the work and create total revenue of the Company, that the personal career planning and whole benefits of the Company can be achieved jointly.

(2) Implementation of 2018 trainings

Items	Number of Courses	Total participants	Total Hours	Total Expenses
1. New Employee Training	2	28	163	0
2. Vocational Training	372	2,792	6,399	559,200
3. Supervisor Training	1	24	40	0
4. General Training (Note)	5	324	832	199,920
Total amounts	380	3,168	7,434	759,120

Note：Including the courses of environmental safety, tool technique, etc.

C. Retirement system and its implementation

The Rules for Retirement Management of the Company had been established pursuant to the Labor Act and Labor Pension Act, all of the employees are covered, the affairs related to conditions of retirement, standards of payment and procedures for application are definitely provided, and the Supervisory Committee of Labor's Retirement Preparation Fund is also established according to the law, the preparation fund is deposited in the Bank of Taiwan under the title of Supervisory Committee of Labor's Retirement Preparation Fund every month; in conforming with the Labor Pension Act, from the day of July 1, 2005, the employees who originally are covered by the rules and choose to be applicable to the new Act, the seniority of such employees or the employees who is employed after the enforcement of new Act shall be applicable to the defined contribution plan, the pension payment shall be contributed by the employer by no less than 6% per month, and deposit in the individual accounts of labor pension at the Bureau.

D. Labor-management agreement

In order to build up the harmonious labor-management relations, the Company provides the grievance channels of employee forum and written application etc. which the opinions of employees can be smoothly rendered, and the President will report the current status of the Company to employees each quarter to make employees thoroughly understand the situation of the Company's operation. The labor-management relations are harmonious from the establishment of the Company up to the current date, that all relevant affairs are handled pursuant to the related provisions of laws and regulations.

E. Protection measures for the rights of employees

The excellent document control system is set up by the Company in which the management rules are recorded, and the rights, obligations and welfare of employees are definitely provided therein, the welfare are reviewed periodically and updated on the document control system from time to time to protect the rights of employees.

5.6.2 Loss deriving from labor-management dispute in the last two years to the date this report was printed, disclose the amount possibly incurred for the time being and in the future, and the responding measures. If this amount cannot be reasonably estimated, specify the reasons

The labor-management relations are harmonious from the establishment of the Company up to the current date, that there is not any concern of losses caused by the labor dispute happens right now and in the future.

5.7 Major Contract

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	GLOBALFOUNDRIES Singapore	11/25/2002~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Renesas Technology	04/01/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	09/03/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	01/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Alpha Microelectronics	05/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/04/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Ricoh	04/01/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	04/06/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Toshiba	10/31/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Silterra	04/07/2006~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MagnaChip	09/28/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Fujitsu Microelectronics	12/19/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	06/24/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	05/23/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	04/01/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	07/07/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TI	02/01/2010~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	HLMC	08/10/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GSMC	09/28/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsubishi Electric	03/29/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	06/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MagnaChip	10/12/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	NXP Semiconductors	11/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	03/01/2013~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	03/04/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK hynix	03/18/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	09/01/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	08/31/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES U.S.A.	09/07/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CSMC	09/11/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SMIC	01/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Maxchip	05/06/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	05/18/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	Vanguard	07/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Japan Semiconductor Corporation	05/09/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SHARP	07/20/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	07/23/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HFC	10/10/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HeJian Technology	12/05/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Winbond	02/21/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Financial Summary

A. Consolidated Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years（Note1）				
		2014	2015	2016	2017	2018
Current Assets		1,382,231	1,439,253	1,583,609	1,766,977	1,483,605
Property, Plant and Equipment		503,671	491,612	503,249	505,337	491,533
Intangible Assets		37,763	42,885	54,796	62,430	67,162
Other Assets		59,256	61,723	57,018	66,326	61,877
Total Assets		1,982,921	2,035,473	2,198,672	2,401,070	2,104,177
Current Liabilities	Before Distribution	182,173	200,260	254,608	316,139	349,772
	After Distribution	636,866	654,953	747,193	884,506	(Note 2)
Non-current Liabilities		15,084	18,431	19,938	19,772	20,864
Total Liabilities	Before Distribution	197,257	218,691	274,546	335,911	370,636
	After Distribution	651,950	673,384	767,131	904,278	(Note 2)
Equity Attributable to Shareholders of the Parent		1,785,664	1,816,782	1,924,126	2,065,159	1,733,541
Capital Stock		768,323	768,323	757,823	757,823	757,908
Capital Surplus	Before Distribution	521,569	455,370	448,025	427,496	416,537
	After Distribution	445,787	429,604	392,325	397,865	(Note 2)
Retained Earnings	Before Distribution	564,521	661,838	718,278	879,840	1,025,266
	After Distribution	185,610	232,911	281,393	341,104	(Note 2)
Other Equity		0	0	0	0	(61,932)
Treasury Stock		(68,749)	(68,749)	0	0	(404,238)
Non-controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	1,785,664	1,816,782	1,924,126	2,065,159	1,733,541
	After Distribution	1,330,971	1,362,089	1,431,541	1,496,792	(Note 2)

Note 1：Consolidated financial information of year 2014 to 2018 has been audited by the CPAs.

Note 2：2018 dividend distribution is pending for shareholders’ approval at the Shareholders’ Meeting.

B. Consolidated Statement of Comprehensive Income

Unit: NT$ thousands (Except EPS: NT$)

Year / Item	Financial Summary for The Last Five Years（Note）				
	2014	2015	2016	2017	2018
Operating Revenue	1,003,977	1,091,620	1,215,459	1,375,758	1,476,516
Gross Profit	1,003,977	1,091,620	1,215,459	1,375,758	1,476,516
Income from Operations	463,691	521,217	529,809	602,818	672,735
Non-operating Income and Expenses	12,843	22,070	78,433	76,982	26,096
Income before Tax	476,534	543,287	608,242	679,800	698,831
Income from Continuing Operations	418,604	479,111	534,917	598,709	613,106
Loss of Discontinued Operations	0	0	0	0	0
Net Income (Loss)	418,604	479,111	534,917	598,709	613,106
Other Comprehensive Income (Income after Tax)	1,080	(2,883)	(2,345)	(262)	(590)
Total Comprehensive Income	419,684	476,228	532,572	598,447	612,516
Net Income Attributable to Shareholders of the Parent	418,604	479,111	534,917	598,709	613,106
Net Income Attributable to Non-controlling Interest	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	419,684	476,228	532,572	598,447	612,516
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0
Earnings Per Share	5.52	6.32	7.06	7.90	8.13

Note：Consolidated financial information of year 2014 to 2018 has been audited by the CPAs.

6.1.2 Parent Company (Individual) Financial Summary

A. Parent Company (Individual) Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years（Note1）					2019 (As of March 31)（Note 1）
		2014	2015	2016	2017	2018	
Current Assets		1,360,554	1,414,244	1,487,245	1,766,977	1,483,605	1,674,218
Property, Plant and Equipment		503,671	491,612	503,249	505,337	491,533	484,656
Intangible Assets		37,763	42,885	54,796	62,430	67,162	68,743
Other Assets		80,565	86,231	148,542	66,326	61,877	74,076
Total Assets		1,982,553	2,034,972	2,193,832	2,401,070	2,104,177	2,301,693
Current Liabilities	Before Distribution	181,805	199,759	249,768	316,139	349,772	362,621
	After Distribution	636,498	654,452	742,353	884,506	(Note 2)	N/A
Non-current Liabilities		15,084	18,431	19,938	19,772	20,864	27,312
Total Liabilities	Before Distribution	196,889	218,190	269,706	335,911	370,636	389,933
	After Distribution	651,582	672,883	762,291	904,278	(Note 2)	N/A
Equity Attributable to Shareholders of the Parent		1,785,664	1,816,782	1,924,126	2,065,159	1,733,541	1,911,760
Capital Stock		768,323	768,323	757,823	757,823	757,908	757,908
Capital Surplus	Before Distribution	521,569	455,370	448,025	427,496	416,537	419,485
	After Distribution	445,787	429,604	392,325	397,865	(Note 2)	N/A
Retained Earnings	Before Distribution	564,521	661,838	718,278	879,840	1,025,266	1,202,417
	After Distribution	185,610	232,911	281,393	341,104	(Note 2)	N/A
Other Equity		0	0	0	0	(61,932)	(63,812)
Treasury Stock		(68,749)	(68,749)	0	0	(404,238)	(404,238)
Non-controlling Interest		0	0	0	0	0	0
Total Equity	Before Distribution	1,785,664	1,816,782	1,924,126	2,065,159	1,733,541	1,911,760
	After Distribution	1,330,971	1,362,089	1,431,541	1,496,792	(Note 2)	N/A

Note 1：The financial information of Parent company for year 2014 to 2018 has been audited by the CPAs, and the financial information of individual for the first quarter of 2019 has been reviewed by the CPAs.

Note 2：2018 dividend distribution is pending for shareholders' approval at the Shareholders' Meeting.

B. Parent Company (Individual) Statement of Comprehensive Income

Unit: NT$ thousands (Except EPS: NT$)

Year / Item	Financial Summary for The Last Five Years（Note）					2019 (As of March 31)（Note）
	2014	2015	2016	2017	2018	
Operating Revenue	1,003,977	1,091,620	1,215,459	1,375,758	1,476,516	395,061
Gross Profit	1,003,977	1,091,620	1,215,459	1,375,758	1,476,516	395,061
Income from Operations	465,932	523,578	532,564	604,254	672,735	193,973
Non-Operating Income and Expenses	10,602	19,660	71,392	72,060	26,096	9,233
Income before Tax	476,534	543,238	603,956	676,314	698,831	203,206
Income from Continuing Operations	418,604	479,111	534,917	598,709	613,106	177,151
Loss of Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	418,604	479,111	534,917	598,709	613,106	177,151
Other Comprehensive Income (Income after Tax)	1,080	(2,883)	(2,345)	(262)	(590)	(1,880)
Total Comprehensive Income	419,684	476,228	532,572	598,447	612,516	175,271
Net Income Attributable to Shareholders of the Parent	418,604	479,111	534,917	598,709	613,106	177,151
Net Income Attributable to Non-controlling Interest	0	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	419,684	476,228	532,572	598,447	612,516	175,271
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0	0
Earnings Per Share	5.52	6.32	7.06	7.90	8.13	2.39

Note：The financial information of Parent company for year 2014 to 2018 has been audited by the CPAs, and the financial information of individual for the first quarter of 2019 has been reviewed by the CPAs.

6.1.3 Auditors' Opinions from 2014 to 2018

Year	Accounting Firm	CPA	Audit Opinion
2014	Deloitte & Touche	Yih-Shin Kao, Tung-Hui Yeh	An Unqualified Opinion
2015	Deloitte & Touche	Yih-Shin Kao, Tung-Hui Yeh	An Unqualified Opinion
2016	Deloitte & Touche	Yih-Shin Kao, Tung-Hui Yeh	An Unmodified Opinion(Note)
2017	Deloitte & Touche	Yih-Shin Kao, Su-Li Fang	An Unmodified Opinion(Note)
2018	Deloitte & Touche	Yih-Shin Kao, Su-Li Fang	An Unmodified Opinion(Note)

Note: Starting in 2016, the new auditing standard of the Republic of China requires "An Unqualified Opinion" be replaced by "An Unmodified Opinion".

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item		Financial Analysis for the Last Five Years (Note 1)				
	Year	2014	2015	2016	2017	2018
Financial Structure	Debt Ratio (%)	9.95	10.74	12.49	13.99	17.61
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	357.52	373.31	386.30	412.58	356.93
Solvency	Current Ratio (%)	758.75	718.69	621.98	558.92	424.16
	Quick Ratio (%)	753.96	710.36	615.89	552.33	417.51
	Times Interest Earned (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Operating Performance	Accounts Receivable Turnover (Times)	22.11	20.03	19.79	18.16	11.67
	Average Collection Period	17	18	18	20	31
	Inventory Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Accounts Payable Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Average Days in Sales	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Property, Plant and Equipment Turnover (Times)	1.99	2.19	2.44	2.73	2.96
	Total Assets Turnover (Times)	0.53	0.54	0.57	0.60	0.66
Profitability	Return on Total Assets (%)	21.97	23.85	25.27	26.03	27.22
	Return on Stockholders' Equity (%)	24.28	26.60	28.60	30.02	32.28
	Pre-tax Income to Paid-in Capital (%)	62.02	70.71	80.26	89.70	92.21
	Profit Ratio (%)	41.69	43.89	44.01	43.52	41.52
	Earnings Per Share (NT$)	5.52	6.32	7.06	7.90	8.13
Cash Flow	Cash Flow Ratio (%)	259.97	258.89	224.54	204.59	181.67
	Cash Flow Adequacy Ratio (%)	96.30	107.97	119.25	123.58	114.25
	Cash Reinvestment Ratio (%)	9.08	3.32	5.76	7.02	3.56
Leverage	Operating Leverage	1.93	1.89	2.04	2.02	1.95
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase in debt ratio and the decrease in current ratio and quick ratio were mainly due to the decrease in cash caused by the purchase of treasury shares in the year of 2018.
2. The decrease in accounts receivable turnover and the increase in average collection period were mainly due to the increase in amount of average accounts receivable for the year 2018 compared with the previous period.
3. The decrease in cash reinvestment ratio was mainly due to the increase in cash dividends issued in 2018.

Note 1：Consolidated financial information of year 2014 to 2018 has been audited by the CPAs.

Note 2：eMemory did not have interest expense and inventory for the year. Therefore, eMemory did not apply times interest earned, inventory turnover, accounts payable turnover and average days in sales.

6.2.2 Parent Company (Individual) Financial Analysis

Item	Year	Financial Analysis for the Last Five Years（Note 1）					2019 (As of March 31)（Note 1）
		2014	2015	2016	2017	2018	
Financial Structure	Debt Ratio (%)	9.93	10.72	12.29	13.99	17.61	16.94
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	357.52	373.31	386.30	412.58	356.93	400.09
Solvency	Current Ratio (%)	748.36	707.98	595.45	558.92	424.16	461.70
	Quick Ratio (%)	743.56	699.61	589.24	552.33	417.51	447.87
	Times Interest Earned (Times)	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	4,148.06
Operating Performance	Accounts Receivable Turnover (Times)	22.11	20.03	19.79	18.16	11.67	11.12
	Average Collection Period	17	18	18	20	31	33
	Inventory Turnover (Times)	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Accounts Payable Turnover (Times)	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Average Days in Sales	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）	（Note 2）
	Property, Plant and Equipment Turnover (Times)	1.99	2.19	2.44	2.73	2.96	3.24
	Total Assets Turnover (Times)	0.53	0.54	0.57	0.60	0.66	0.72
Profitability	Return on Total Assets (%)	21.97	23.85	25.30	26.06	27.22	32.17
	Return on Stockholders' Equity (%)	24.28	26.60	28.60	30.02	32.28	38.88
	Pre-tax Income to Paid-in Capital (%)	62.02	70.70	79.70	89.24	92.21	107.25
	Profit Ratio (%)	41.69	43.89	44.01	43.52	41.52	44.84
	Earnings Per Share (NT$)	5.52	6.32	7.06	7.90	8.13	2.39
Cash Flow	Cash Flow Ratio (%)	261.50	260.53	229.80	206.42	181.67	258.07
	Cash Flow Adequacy Ratio (%)	96.36	108.19	119.64	124.20	114.73	149.32
	Cash Reinvestment Ratio (%)	9.17	3.43	5.87	7.29	3.56	45.26
Leverage	Operating Leverage	1.92	1.88	2.03	2.02	1.95	1.84
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase in debt ratio and the decrease in current ratio and quick ratio were mainly due to the decrease in cash caused by the purchase of treasury shares in the year of 2018.
2. The decrease in accounts receivable turnover and the increase in average collection period were mainly due to the increase in amount of average accounts receivable for the year 2018 compared with the previous period.
3. The decrease in cash reinvestment ratio was mainly due to the increase in cash dividends issued in 2018.

Note 1：The financial information of Parent company for year 2014 to 2018 has been audited by the CPAs, and the financial information of individual for the first quarter of 2019 has been reviewed by the CPAs.

Note 2：eMemory did not have interest expense and inventory for the year. Therefore, eMemory did not apply times interest earned, inventory turnover, accounts payable turnover and average days in sales.

* Glossary

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

(1) Accounts Receivable Turnover = Operating Revenue / Average Accounts Receivables

(2) Average Collection Period = 365 / Accounts Receivable Turnover

(3) Inventory Turnover = Cost of Sales / Average Inventory

(4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payables

(5) Average Days in Sales = 365 / Inventory Turnover

(6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Operating Revenue / Average Total Assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Stockholders' Equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Profit Ratio = Net Income / Operating Revenue

(5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee’s Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company’s 2018 business report, financial statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit eMemory’s financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To eMemory Technology Inc. 2019 General Shareholders’ Meeting

eMemory Technology Inc.
Chairman of the Audit Committee: Ming-To Yu

February 26, 2019

6.4 Consolidated Financial Statements for the Years Ended December 31 2018 and 2017, and Independent Auditors' Report：Please refer to page 114~172 of this Annual Report.

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report：Please refer to page 173~228 of this Annual Report.

6.6 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties：None.

6.7 Certification Details of Employees who are Related to the Release of the Company's Financial Information Transparency

Title	Name	Issuing Institution	Certification
Accounting and Financial Officer	Teresa Kuo	The Institute of Internal Auditors, ROC (Taiwan)	Qualified Internal Auditor (QIA)
		The Institute of Internal Auditors, ROC (Taiwan)	Certified Internal Auditor (CIA)
Internal Auditing Officer	Grace Mai	Securities & Futures Institute	Basic Competence Exams for Enterprise Internal Control
		Securities & Futures Institute	Professional Proficiency Exams for Stock Affair Specialist
		The Institute of Internal Auditors, ROC (Taiwan)	Certified Internal Auditor (CIA)

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	1,483,605	1,766,977	(283,372)	(16.04)
Property, Plant and Equipment	491,533	505,337	(13,804)	(2.73)
Intangible Assets	67,162	62,430	4,732	7.58
Other Assets	61,877	66,326	(4,449)	(6.71)
Total Assets	2,104,177	2,401,070	(296,893)	(12.37)
Current Liabilities	349,772	316,139	33,633	10.64
Non-current Liabilities	20,864	19,772	1,092	5.52
Total Liabilities	370,636	335,911	34,725	10.34
Equity Attributable to Shareholders of the Parent	1,733,541	2,065,159	(331,618)	(16.06)
Capital Stock	757,908	757,823	85	0.01
Capital Surplus	416,537	427,496	(10,959)	(2.56)
Retained Earnings	1,025,266	879,840	145,426	16.53
Other Equity	(61,932)	0	(61,932)	(100.00)
Treasury Stock	(404,238)	0	(404,238)	(100.00)
Non-controlling Interest	0	0	0	0.00
Total Equity	1,733,541	2,065,159	(331,618)	(16.06)

Analysis of Deviation over 20%：

1. The other equity of the period is mainly due to the adjustment on initial application of IFRS 9 and the recognition of the unrealized gain on investments in equity instruments at fair value through other comprehensive income.
2. The increase in treasury stock during the period was mainly due to the purchase of treasury stocks.

7.2 Financial Performance

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	2018	2017	Difference	%
Operating Revenue	1,476,516	1,375,758	100,758	7.32
Gross Profit	1,476,516	1,375,758	100,758	7.32
Income from Operations	672,735	602,818	69,917	11.60
Non-Operating Income and Expenses	26,096	76,982	(50,886)	(66.10)
Income before Tax	698,831	679,800	19,031	2.80
Income from Continuing Operations	613,106	598,709	14,397	2.40
Loss of Discontinued Operations	0	0	0	0.00
Net Income (Loss)	613,106	598,709	14,397	2.40
Other Comprehensive Income (Income after Tax)	(590)	(262)	(328)	125.19
Total Comprehensive Income	612,516	598,447	14,069	2.35
Net Income Attributable to Shareholders of the Parent	613,106	598,709	14,397	2.40
Net Income Attributable to Non-controlling Interest	0	0	0	0.00
Comprehensive Income Attributable to Shareholders of the Parent	612,516	598,447	14,069	2.35
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0.00
Earnings Per Share	8.13	7.90	0.23	2.91

Analysis of Deviation over 20%：

1. The decrease in non-operating income and expenses was mainly due to the recognition of the gain on disposal of financial assets measured at cost in 2017.
2. The increase in other comprehensive loss (net after tax) in the current period was mainly due to the growth in the remeasurement of defined benefit plans in 2018.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for 2018

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
$1,663,684	$ 635,422	$997,976	$873	$1,302,003	0	0

A. Analysis of Cash Flow

(1) Operating Activities：Net cash generated from operating activities was mainly from net income.

(2) Investing Activities：Net cash used in investing activities was primarily for capital expenditures.

(3) Financing Activities：Net cash used in financing activities was mainly for payment of cash dividends and purchase of treasury stocks.

B. Remedial Actions for Liquidity Shortfall：Not applicable.

7.3.2 Cash Flow Projection for 2019

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Investment Plans
$1,302,003	$885,616	$622,356	$0	$ 1,565,263	0	0

A. Analysis of Cash Flow

(1) Operating Activities：Net cash generated from operating activities was mainly from net income.

(2) Investing Activities：Net cash used in investing activities was primarily for capital expenditures.

(3) Financing Activities：Net cash used in financing activities was mainly for payment of cash dividends.

B. Remedial Actions for Liquidity Shortfall：Not applicable.

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital：None.

7.4.2 Expected Benefits：Not applicable.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The objectives of the Company’s investment policy are for stable gains and the cultivation of business relation with the investees. In 2018, the investment accounted for under the equity method caused loss amounted to NT$4,356 thousands, which is mainly due to the fact that the invested company has not yet reached the economic scale. In the future, the Company will seek long-term strategic investment and continue taking caution in the evaluation and management of all investment planning.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest rate: The Company has sufficient working capital and expects no needs for borrowing in either local or foreign currencies. As such, there is no risk deriving from the rise of interest rate and interest expense for the time being.

B. Foreign exchange volatility: The majority of the sales of the Company are denominated in USD and JPY and some of the purchases were denominated in USD. Any changes in the exchange rate will affect the accounts receivable and payable denominated in foreign currencies and the profit position of the Company. For hedging off risks deriving from exchange rate fluctuation, the Company has appointed designated personnel to keep track of the changes in exchange rate, as well as keeping close liaison with associated banks to gather exchange rate forecast to understand banks' exchange rate trend and information, and reduce the adverse impact of exchange rate changes on the Company's profit and loss.

C. Inflation: Inflation has never caused any significant impact on the Company's income. The Company's management is highly sensitive to the market trend. If there is an anticipation of inflation that increase the purchase cost, the Company will seek to reorient its business policy, including the adjustment of the price of sales. As such to keep inflation risk is kept under control.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

In 2018 and 2019 to April 15, the Company did not engage in any high-risk, high-leveraged investments, lending or endorsement guarantees, and derivative transactions.

7.6.3 Research & Development Plans and Expense Projection

The Company keeps its effort in eNVM development in line with the future growth trend in the industry and expedite new SIP development in advanced process nodes to increase Company’s competitiveness.

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoBit development in 0.13um BCD automotive process to fulfill ISO26262 safety compliance	Certification will be done in H2/19’.	USD 200K	ISO26262 compliance
NeoBit development in 65nm and 90nm BCD process for power management ICs.	Function check has been completed and qualification completion is expected in H2/19’.	USD 150K	Retention capability of memory cell
NeoFuse development ultra-low power macro in ULP process for IoT and MCU applications	Completed device evaluation, and it’s expected to complete macro design in Q2/19’.	USD 150K	Device limitation for low voltage
NeoFuse development in CIS process for the fingerprint identification chips.	It’s expected to complete the design in H2/19’.	USD 150K	Device behavior in CIS process
NeoFuse development in 28nm high-voltage process for OLED display driver ICs	Function check have been completed in some foundries. Fab porting projects are undergoing and reliability check will be done in H2/19’.	USD 300K	Device behavior in HV process
NeoFuse development in 80nm 8V high-voltage process for OLED display driver ICs	Function check has been completed. Fab porting projects are undergoing and reliability check will be done in H1/19’.	USD 200K	Device behavior in HV process
NeoFuse development in 28nm HPC+ logic process for automotive applications	Expect to complete macro design in 2.5V and 1.8V platform in H2/19’ and Q1/20’, respectively.	USD 400K	Device behavior at high temp
High Density NeoFuse development in 90nm BCD process for the power management ICs	Expect to complete function check in H2/19’.	USD 150K	Device behavior in BCD process
NeoFuse development in leading-edge DRAM process	Reliability check has been completed in 25nm DRAM. Sub-25nm DRAM is started.	USD 300K	Device behavior in DRAM process
NeoFuse development in 22nm FDSOI process for the mobile applications	1st IP has been verified. Ultra-low voltage operated IP development will be completed in H1/19’.	USD 350K	Device behavior at low voltage
NeoFuse development in 22nm ULP/ULL logic processes for mobile applications	ULP IP has been verified. ULL IP will be completed in H1/19’.	USD 400K	Device behavior at low voltage

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoFuse development in 7nm FinFET processes for the mobile applications	Function check has been completed. Reliability check will be done in H1/19’.	USD 800K	Device behavior at high voltage
NeoPUF key management IP development for security devices	22nm ULL macro design and function check will be completed in Q2 and Q4/19’, respectively.	USD 250K	Design to meet security guideline
NeoPUF strategic alliance for IoT and MCU	40nm ULP IP design has been completed. Function check will be completed in Q4/19’.	USD 200K	Design on-time delivery.
500K-cycle high-endurance NeoEE development in 5V I/O process	IP qualification will be completed in H2/19’.	USD 400K	Device for high endurance
NeoEE development for automotive 0.11um BCD process	Hardware verification has been completed. Qualification is on-going.	USD 400K	Meet ISO26262 compliance
NeoEE development for RFID in 0.11um Low Power process	Qualification has been done. Further power reduction is on-going.	USD 400K	Design for low-power
NeoEE development for AI applications	1st design will be completed in H2/19’.	USD 400K	Device for multi-level storage
AEC Q-100 Grade-0 NeoMTP development in 0.13um BCD process	Function check and qualification will be completed in Q3/19’ and Q3/20’, respectively.	USD 600K	Device behavior at high temp
NeoMTP development in 0.15um BCD mask-reduction process for Type-C/PMIC applications	Function check was completed. Qualification will be completed in H2/19’.	USD 500K	Device behavior at high temp
NeoMTP development in 65nm BCD process for Type-C/PMIC applications	Function check was completed. Qualification will be completed in H2/20’.	USD 500K	Device behavior at high temp
NeoMTP development in 90nm BCD process for Type-C/PMIC applications	Qualification will be completed in H1/20’.	USD 500K	Device behavior at high temp

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company runs its routine operation in compliance with applicable domestic and foreign laws, and monitors closely all domestic and foreign governmental policy and regulation changes that might impact the operation and financial operations. In 2018 and 2019 to April 15, there was no influence on the financial and operation performance of the Company due to changes of domestic and foreign governmental policy and regulation.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

In order to improve the information security management, the Company had established the rules for information security policy and operation according to the spirits and requirements of ISO27001 Information Security Management System.
Pursuant to the information security policy, the Information Security Committee had been established in April 2013, and the quarter meetings are convened periodically for examining the affairs related to the information security management of the Company and reviewing the execution of information security.
Under the governance of Information Security Committee, the Information Security Execution Team is responsible for planning and execution of information security operation, and the Information Security Event Response Center is established for responding and giving directions to the material information security event. Furthermore, the Audit Office assesses the execution of information security management every half year, and report to the Board of Directors periodically to ensure the works of information security are actually executed.
The Company highly values the research and development ability enhancement, through the strong bonding of strategic alliances with world-class foundries, the Company can keep abreast of the latest changes in the industry and access to market information ahead of the industry peers, for keeping the financial stability and flexibility. As such, the effect of technological change and industry change bring is positive effects to the Company.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Professionalism and integrity are the fundamental principles of the Company. The Company highly values its corporate images and risk management. There is no foreseeable crisis currently. In the future, the Company will seek to optimize the shareholders' interest while realizing corporate social responsibility.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Under the adjustment of business strategy from the second half of 2011 onward, the Company decided to focus on IP business and planned to gradually reduce the proportion of income from wafer business, and made no purchase of wafer since 2013 to the date this report was printed. The key customers of the Company are famous domestic and foreign foundries with stable streams of purchasing orders and consistent revenue contributions to the Company. The business relation between these foundries and the Company is positive and there is no risk deriving from overconcentration of selling.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

None.

7.6.12 Litigation or Non-litigation Matters

A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks

A. Risk Management Policy

The Company's management pays utmost attention to risk management. The frequency of internal audit is arranged in line with the level of risk. The Chief Auditor also assists the Company to bolster all internal control for reducing risk to the minimum level and enhance shareholders' interest.

B. The Organization Structure for Risk Management

Name of Organization	Scope of Authority and Responsibility
Board of Directors	Map out the risk management policy, structure, and the culture; ensure the effectiveness of risk management mechanism and allocate resources.
Audit Committee	Review the policy, structure and culture of risk management and propose suggestions to the Board of Directors; furthermore supervise on the effectiveness of the risk management mechanism and propose suggestions to the Board of Directors.
Senior Management (President, Vice Presidents)	Execution of the risk management decision of the Board, coordination of cross-function risk management interaction and communication, design and decision-making of business operation, assessment mid-term to long-term investment and return to reduce risks.
Audit Office	Conduct regular and irregular audits in accordance with the internal control and audit plan to ensure enforcement of risk control. Prepare audit reports based on the findings as reference for the Audit Committee, Board of Directors and the management for adjusting management policy and decision-making.

Name of Organization	Scope of Authority and Responsibility
Information Security Committee	Being responsible for the planning, supervision and integration, communication of information security related affairs.
Environmental Safety Functional Units	Risk Control of labor safety and provide related education, establishment and maintenance of environmental protection, labor safety, and health system.
The Manager of Each Functional Department	Execution of risk control in routine operation and self-assessment of risk control.
Administration Center	Management and maintenance of IT system, allocation of human resources, media and public relations, liaison with external parties, design and arrangement of administrative and general affairs, review and institution of legitimacy of intellectual property rights.
Finance Department	Bookkeeping and compilation of management statements as reference for the management in making and revising decisions, funds management, share registration and transfer, execution, preparation and analysis of the return of short to long-term investment.

C. Risk Management Organization:

<table>
<tr><th>Major Risk Assessment</th><th>Risk Management Authority
(1st Tier)</th><th>Risk Review and Control
(2nd Tier)</th><th>The Board, Audit Committee and Audit Office
(3rd Tier)</th></tr>
<tr><td>1. Interest rate, exchange rate, and financial risk</td><td rowspan="2">Finance Department</td><td rowspan="2">President</td><td rowspan="4">1. The Board: Decision of risk assessment and control.
2.Audit Committee: Review the risk assessment and propose suggestions to the Board.
3. Audit Office: Risk inspection, assessment, monitoring, and tracking of corrective actions and report.</td></tr>
<tr><td>2. High-risk, high-leveraged investments, lending or endorsement guarantees, derivative transactions, and financial investments</td></tr>
<tr><td>3. R&D plan</td><td rowspan="2">R&D Units, Sales & Marketing Units, Information Security Execution Team, Information Security Event Response Center</td><td rowspan="2">Project Management (members: project manager, Sales & Marketing Units, R&D Units, Management & Process Integration Department, Information Security Committee)
Senior Management Meeting (members: President, VP of</td></tr>
<tr><td>4. Changes in Technology and industry</td></tr>
</table>

Major Risk Assessment	Risk Management Authority (1st Tier)	Risk Review and Control (2nd Tier)	The Board, Audit Committee and Audit Office (3rd Tier)
		Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer)	
5. Changes in policies and Regulations	President, Legal Affairs Department	Senior Management Meeting (members: President, VP of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer)	
6. Litigation or non-litigation matters			
7. Corporate image	President, PR Unit		
8. Transfer of shares by Directors and major shareholders	Stock Affairs Unit	Chairman, President	
9. Changes in management rights	Chairman, President		
10. Others operational matters	Relevant functional departments	Chairman, President	

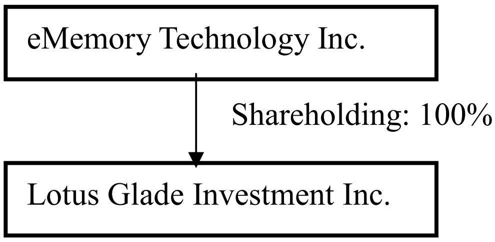
7.7 Other Materiality: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidation Business Report of Affiliates

A. The Company's Affiliated Companies Chart



Note：On October 25, 2017, the board of directors approved to merge with Lotus Glade Investment Inc. in accordance with Article 19 of the Business Mergers and Acquisitions Act. After the consolidation the Company is the surviving company while Lotus Glade Investment Inc. is the dissolved company. This merger took effect on November 28, 2017.

B. The Company Affiliated Companies：None.

C. In accordance with the Article 369-3 of the Company Act, Disclose if There is a Presumption of Controlling and Subordinate Relationship：None.

D. Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination：None.

E. Business Scope of the Company and Its Affiliated Companies：Not applicable.

F. List of Directors, Supervisors and Presidents of the Company's Affiliated Companies：Not applicable.

G. Operation Highlights of the Company's Affiliated Companies：Not applicable.

8.1.2 Consolidated Business Report and Consolidation of Financial Statements of Affiliates：

Please refer to page 114~172 of this Annual Report.

8.1.3 Information Regarding Financing, Endorsements, Guarantees, and Trading in Derivative Products of Affiliates：None.

8.2 Private Placement Securities：None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries：None.

8.4 Supplementary Notes：None.

8.5 Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Act：None.

Appendix 1：Consolidated Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

eMemory Technology Inc.

By:

Charles Hsu
Chairman

February 26, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
eMemory Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of eMemory Technology Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

1. The major revenue source of the Group is royalty revenue, refer to Note 21 for related information. To elaborate, when IC design companies' products with the silicon intellectual property of the Group are expected to be mass produced and shipped from the wafer foundries, the wafer foundries will pay a certain percentage of royalty fee based on the wafer price.

2. The Group recognizes royalty revenue based on the contracts and the time when the royalty reports are signed back. The related risks may exist if the royalty revenue from wafer foundries is not recognized at the appropriate time.

3. To verify the accuracy and recognition timing of the royalty revenue, we established the revenue recognition policy of the Group, assessed the reasonableness of the revenue recognition timing, performed relevant control tests and analytical procedures, as well as traced a certain number of royalty revenue transactions before and after the end of reporting period with relevant supporting documents and accounting records.

Other Matter

We have also audited the parent company only financial statements of eMemory Technology Inc. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yih-Shin Kao and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

<u>*Notice to Readers*</u>

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

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018 Amount	%	2017 Amount	%
CURRENT ASSETS				
Cash (Notes 3, 4 and 6)	$ 1,302,003	62	$ 1,663,684	69
Accounts receivable - net (Notes 3, 4, 5, 11 and 21)	158,335	8	82,457	4
Other receivables (Notes 3 and 4)	225	-	238	-
Other receivables - related parties (Notes 3, 4 and 28)	251	-	577	-
Prepayments	19,889	1	17,998	1
Other current assets (Notes 3, 4 and 16)	2,902	-	2,023	-
Total current assets	1,483,605	71	1,766,977	74
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4, 7 and 27)	19,180	1	-	-
Financial assets at amortized cost - noncurrent (Notes 3, 4, 8 and 29)	33,612	2	-	-
Financial assets measured at cost - noncurrent (Notes 3, 4, 9 and 28)	-	-	8,406	-
Investments in debt instrument without active market - noncurrent (Notes 3, 4, 10 and 29)	-	-	33,611	1
Investment accounted for using equity method (Notes 4 and 13)	6,046	-	10,393	-
Property, plant and equipment (Notes 4 and 14)	491,533	23	505,337	21
Intangible assets (Notes 4 and 15)	67,162	3	62,430	3
Deferred tax assets (Notes 4 and 23)	2,708	-	2,108	-
Prepayments for equipment	-	-	11,493	1
Refundable deposits	331	-	315	-
Total non-current assets	620,572	29	634,093	26
TOTAL	$ 2,104,177	100	$ 2,401,070	100

LIABILITIES AND EQUITY	2018 Amount	%	2017 Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 3, 21 and 28)	$ 37,822	2	$ -	-
Other payables (Note 17)	94,104	5	80,927	3
Bonuses payable to employees and directors (Note 22)	138,092	7	133,625	6
Payables on equipment	6,241	-	5,189	-
Current tax liabilities (Notes 4 and 23)	71,897	3	61,476	3
Other current liabilities (Notes 3, 17 and 28)	1,616	-	34,922	1
Total current liabilities	349,772	17	316,139	13
NON-CURRENT LIABILITIES				
Net defined benefit liabilities - noncurrent (Notes 4 and 18)	20,334	1	19,242	1
Guarantee deposits received (Notes 25 and 28)	530	-	530	-
Total non-current liabilities	20,864	1	19,772	1
Total liabilities	370,636	18	335,911	14
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 3, 4, 19 and 20)				
Ordinary shares	757,908	36	757,823	31
Capital surplus	416,537	20	427,496	18
Retained earnings				
Legal reserve	340,160	16	280,298	12
Special reserve	926	-	926	-
Unappropriated earnings	684,180	32	598,616	25
Total retained earnings	1,025,266	48	879,840	37
Other equity	(61,932)	(3)	-	-
Treasury shares	(404,238)	(19)	-	-
Total equity	1,733,541	82	2,065,159	86
TOTAL	$ 2,104,177	100	$ 2,401,070	100

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)	$ 1,476,516	100	$ 1,375,758	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	1,476,516	100	1,375,758	100
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	120,678	8	120,479	9
General and administrative expenses	169,610	11	166,764	12
Research and development expenses	505,475	34	485,697	35
Expected credit loss (Notes 4, 5 and 11)	8,018	1	-	-
Total operating expenses	803,781	54	772,940	56
OPERATING INCOME	672,735	46	602,818	44
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 22 and 28)	25,024	2	22,259	2
Other gains and losses (Notes 4, 9, 22 and 28)	5,428	-	61,230	4
Share of loss of associates (Notes 4 and 13)	(4,356)	-	(6,507)	-
Total non-operating income and expenses	26,096	2	76,982	6
PROFIT BEFORE INCOME TAX	698,831	48	679,800	50
INCOME TAX EXPENSE (Notes 4 and 23)	85,725	6	81,091	6
NET PROFIT FOR THE YEAR	613,106	42	598,709	44
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(1,650)	-	(262)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 3, 4 and 19)	1,060	-	-	-
Other comprehensive income for the year	(590)	-	(262)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 612,516	42	$ 598,447	44

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 613,106	42	$ 598,709	44
Non-controlling interests	-	-	-	-
	$ 613,106	42	$ 598,709	44
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 612,516	42	$ 598,447	44
Non-controlling interests	-	-	-	-
	$ 612,516	42	$ 598,447	44
EARNINGS PER SHARE (Note 24)				
Basic	$ 8.13		$ 7.90	
Diluted	$ 8.07		$ 7.86	

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Ordinary Shares			Retained Earnings				Other Equity		
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2017	75,783	$ 757,823	$ 448,025	$ 231,737	$ 926	$ 485,615	$ 718,278	$ -	$ -	$ 1,924,126
Appropriation of 2016 earnings										
Legal reserve	-	-	-	48,561	-	(48,561)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(436,885)	(436,885)	-	-	(436,885)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	10,012	-	-	-	-	-	-	10,012
Issuance of cash dividends from capital surplus	-	-	(55,700)	-	-	-	-	-	-	(55,700)
Net profit for the year ended December 31, 2017	-	-	-	-	-	598,709	598,709	-	-	598,709
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(262)	(262)	-	-	(262)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	598,447	598,447	-	-	598,447
Share-based payment	-	-	25,159	-	-	-	-	-	-	25,159
BALANCE, DECEMBER 31, 2017	75,783	757,823	427,496	280,298	926	598,616	879,840	-	-	2,065,159
Effect of retrospective application	-	-	-	-	-	72,706	72,706	(62,992)	-	9,714
ADJUSTED JANUARY 1, 2018	75,783	757,823	427,496	280,298	926	671,322	952,546	(62,992)	-	2,074,873
Appropriation of 2017 earnings										
Legal reserve	-	-	-	59,862	-	(59,862)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(538,736)	(538,736)	-	-	(538,736)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9	-	-	-	-	-	-	9
Issuance of cash dividends from capital surplus	-	-	(29,631)	-	-	-	-	-	-	(29,631)
Net profit for the year ended December 31, 2018	-	-	-	-	-	613,106	613,106	-	-	613,106
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(1,650)	(1,650)	1,060	-	(590)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	611,456	611,456	1,060	-	612,516
Issuance of ordinary shares under employee share options	8	85	2,794	-	-	-	-	-	-	2,879
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(404,238)	(404,238)
Share-based payment	-	-	15,869	-	-	-	-	-	-	15,869
BALANCE, DECEMBER 31, 2018	75,791	$ 757,908	$ 416,537	$ 340,160	$ 926	$ 684,180	$ 1,025,266	$ (61,932)	$ (404,238)	$ 1,733,541

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 698,831	$ 679,800
Adjustments for:		
Depreciation expenses	37,402	31,383
Amortization expenses	13,202	11,183
Expected credit loss/bad debt expense	8,018	1,587
Interest income	(10,663)	(9,976)
Dividend income	(943)	(1,589)
Share-based payment	15,869	25,159
Share of loss of associates	4,356	6,507
Loss on disposal of property, plant and equipment	278	-
Gain on disposal of investments	(79)	(70,568)
Net (gain) loss on foreign currency exchange	(1,015)	5,945
Changes in operating assets and liabilities		
Accounts receivable	(83,763)	(22,703)
Accounts receivable - related parties	-	1,683
Other receivables - related parties	326	(533)
Prepayments	(1,895)	(4,326)
Other current assets	(879)	(538)
Contract liabilities	4,351	-
Other payables	13,176	(16,339)
Other current liabilities	165	11,002
Net defined benefit liabilities	(558)	(543)
Bonuses payable to employees and directors	4,467	23,651
Cash generated from operations	700,646	670,785
Interest received	10,676	9,994
Income tax paid	(75,900)	(33,999)
Net cash generated from operating activities	635,422	646,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1)	-
Acquisition of financial assets at fair value through profit or loss	(600,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	600,079	-
Acquisition of available-for-sale financial assets	-	(40,000)
Proceeds from disposal of available-for-sale financial assets	-	40,006
Increase in debt investments without active market	-	(1)
Proceeds from disposal of financial assets measured at cost	-	73,628
Acquisition of property, plant and equipment	(11,335)	(34,616)
Increase in refundable deposits	(16)	(15)
Acquisition of intangible assets	(17,934)	(18,817)
Increase in prepayments for equipment	-	(11,493)
Dividend received	943	1,589
Net cash (used in) generated from investing activities	(28,264)	10,281

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	$ -	$ 115
Dividends paid	(568,353)	(492,585)
Exercise of employee share options	2,879	-
Payments for buy-back of ordinary shares	(404,238)	-
Net cash used in financing activities	(969,712)	(492,470)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	873	(2,518)
NET (DECREASE) INCREASE IN CASH	(361,681)	162,073
CASH AT THE BEGINNING OF THE YEAR	1,663,684	1,501,611
CASH AT THE END OF THE YEAR	$ 1,302,003	$ 1,663,684

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

1. GENERAL INFORMATION

eMemory Technology Inc. (the "Company") was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company's main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company's shares have been listed on the TPEx since January 2011.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 26, 2019.

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,663,684	$ 1,663,684	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	8,406	18,120	(1)
Time deposits with original maturities of more than 1 year	Loans and receivables	Amortized cost	33,500	33,500	
Financial Assets pledged as collateral	Loans and receivables	Amortized cost	111	111	
Accounts receivables and other receivables(include related parties)	Loans and receivables	Amortized cost	83,272	83,272	(2)
Other assets-current	Loans and receivables	Amortized cost	2,016	2,016	

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTOCI-Equity instruments	$ -	$ 8,406	$ 9,714	$ 18,120	$ 72,706	$ (62,992)	(1)
Add: Reclassification from available-for-sale (IAS 39)	8,406	(8,406)	-	-	-	-	(1)
	8,406	-	9,714	18,120	72,706	(62,992)	
Amortized cost	-	1,782,583	-	1,782,583	-	-	(2)
Add: Reclassification from loans and receivables (IAS 39)	1,782,583	(1,782,583)	-	-	-	-	(2)
	1,782,583	-	-	1,782,583	-	-	
	$ 1,790,989	$ -	$ 9,714	$ 1,800,703	$ 72,706	$ (62,992)	

(1) Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $9,714 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $72,706 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $72,706 thousand in retained earnings on January 1, 2018.

(2) Accounts receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for current year

	As Originally Stated on January 1, 2018	Adjustments Arising from Initial Application	Restated on January 1, 2018
Contract liabilities - current	$ -	$ 33,471	$ 33,471
Advance receives (Other current liabilities)	33,471	(33,471)	-
Total effect on liabilities	$ 33,471	$ -	$ 33,471

3) IFRIC 22"Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations.

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

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within financing activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

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

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

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

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group leased dormitories from the Hsinchu Science Park Bureau and subleased its leasehold dormitory to employees. The Group will assess the sublease classification as an operating lease, on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,986	$ 8,986
Total effect on assets	$ -	$ 8,986	$ 8,986
Lease liabilities - current	$ -	$ 2,781	$ 2,781
Lease liabilities - non-current	-	6,205	6,205
Total effect on liabilities	$ -	$ 8,986	$ 8,986

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assessing the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's financial position and financial performance.

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

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities.

f. Foreign currencies

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

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

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

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest Group of CGUs to which the CGU belongs, this smallest Group is used for impairment testing.

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable, other receivables and other current assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

Cash include highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including accounts receivable, cash, investments in debt instrument without active market, other receivables, and other current assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash include highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

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

<u>2017</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable are assessed for impairment on an individual basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

<u>2018</u>

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Authorized revenue

a) Technical service revenue

The Group identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

b) Royalty revenue

Revenue received from the intellectual property that remains operational without updated authorization or technical support is the royalty revenue. While customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on production, sales or other measures and the revenue is recognized with reference to the underlying arrangements.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Revenue of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Revenue from technical service is recognized in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

3) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Royalty arrangements that are based on production, sales and other measures are recognized with reference to the underlying arrangement.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

o. Share-based payment arrangements

1) Employee share options granted to employees

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

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Cash-settled share-based payment arrangements

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how Group of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated and the risks that affect the performance of the assets. The Group monitors financial assets measured at amortized cost when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivables (include related parties) is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions and industrial economic trends. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2018	2017
Bank deposits	$ 1,301,978	$ 1,663,659
Cash on hand	25	25
	$ 1,302,003	$ 1,663,684

The market rates of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank deposits	0.001%-3.55%	0.001%-3.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 19,180
Domestic investments	
Unlisted shares	
Ordinary shares - Powerchip Technology Corporation	$ 12,260
Ordinary shares - Syntronix Corporation	6,920
	$ 19,180

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Non-current	
Domestic investments	
Time deposit with original maturity of more than 1 year	$ 33,500
Pledged time deposits	112
	$ 33,612

a. The interest rates for time deposits with original maturity of more than 1 years were from 1.015% to 1.09% as at the end of the reporting period. The time deposits were classified as investments in debt instrument without active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 27 for information relating to their credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 8,406
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 8,406

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

As of December 31, 2017, the Group disposed of certain financial assets measured at cost with carrying amounts of $3,066 thousand and recognized a disposal gain of $70,562 thousand.

10. INVESTMENTS IN DEBT INSTRUMENT WITHOUT ACTIVE MARKET - 2017

	December 31, 2017
Non-current	
Time deposits with original maturity of more than 1 year	$ 33,500
Pledged time deposits	111
	$ 33,611

a. As of December 31, 2017, the market interest rates of the time deposits with original maturities of more than 1 year were 1.015%-1.16%.

b. Refer to Note 29 for information relating to investments in debt instrument without active market pledged as security.

11. ACCOUNTS RECEIVABLE, NET

	December 31	
	2018	**2017**
Accounts receivable	$ 168,424	$ 84,528
Less: Allowance for impairment loss	(10,089)	(2,071)
	$ 158,335	$ 82,457

For the year ended 2018

The average credit term was 30 to 60 days. No interest was charged on accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved.

The Group applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The lifetime expected credit losses are estimated considering past default experience and current financial position of the customers as well as industrial economic conditions. The Group's expected credit loss rates are set by individual customer based on historical credit loss experience.

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

December 31, 2018

	Not Past Due	**1 to 30 Days**	**31 to 90 Days**	**91 to 180 Days**	**Over 181 Days**	**Total**
Gross carrying amount	$ 119,728	$ 11,010	$ 28,318	$ 9,368	$ -	$ 168,424
Loss allowance (lifetime ECL)	(1,783)	-	(5,542)	(2,764)	-	(10,089)
Amortized cost	$ 117,945	$ 11,010	$ 22,776	$ 6,604	$ -	$ 158,335

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 2,071
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	2,071
Add: Net remeasurement of loss allowance	8,018
Balance at December 31, 2018	$ 10,089

For the year ended 2017

The Group applied the same credit policy in 2018 and 2017. The average credit period of sales was 30 to 60 days. No interest was charged on accounts receivable. In determining the recoverability of an account receivable, the Group considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. Because historical experience had been that receivables that are past due beyond 180 days were likely to be irrecoverable, allowance for doubtful accounts were recognized against accounts receivable based on estimated irrecoverable amount which is determined by reference to average default days of the counterparties in the past year. The Group recognizes an allowance for doubtful accounts of 100% against all receivables from counterparties if their average default days in the past year were over 181 days.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for doubtful accounts because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging analysis of receivables was as follows:

	December 31, 2017
Not past due	$ 62,032
1-30 days	19,247
31-90 days	868
91-180 days	2,381
	$ 84,528

The above analysis was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
1-30 days	$ 17,313
31-90 days	595
91-180 days	2,381
	$ 20,289

The above analysis was based on the past due date.

The movements of allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 484	$ -	$ 484
Add: Bad debt expense recognized	1,587	-	1,587
Balance at December 31, 2017	$ 2,071	$ -	$ 2,071

Age of impaired accounts receivable was as follows:

	December 31, 2017
Less than 90 days	$ 4,141

The above aging of accounts receivable before deducting the allowance for doubtful accounts was presented based on the past due date.

12. SUBSIDIARIES

On October 25, 2017, the board of directors approved to merge with Lotus Glade Investment Inc. in accordance with Article 19 of the Business Mergers and Acquisitions Act. After the consolidation the Company is the surviving company while Lotus Glade Investment Inc. is the dissolved company. This merger took effect on November 28, 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31	
	2018	2017
Associates that are not individually material		
iMQ Technology Inc.	$ 6,046	$ 10,393

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2017
iMQ Technology Inc.	4.25%	4.25%

	Year Ended December 31	
	2018	2017
The Company's share of :		
Loss from continuing operations	$ (4,356)	$ (6,507)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the period	$ (4,356)	$ (6,507)

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc. and the Company acts as the director of iMQ Technology Inc.

As the information about business nature, main operation location and the registered country. Refer to Table 2.

The investments in associates accounted for using the equity method, the share of net profit or loss and the share of other comprehensive (loss) income from investments were calculated based on the audited financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
Cost					
Balance at January 1, 2017	$ 124,019	$ 384,271	$ 73,467	$ 9,867	$ 591,624
Additions	-	375	31,279	1,817	33,471
Disposals	-	-	(7,739)	(1,899)	(9,638)
Balance at December 31, 2017	$ 124,019	$ 384,646	$ 97,007	$ 9,785	$ 615,457
Accumulated depreciation					
Balance at January 1, 2017	$ -	$ 57,719	$ 25,151	$ 5,505	$ 88,375
Depreciation expense	-	10,957	18,311	2,115	31,383
Disposals	-	-	(7,739)	(1,899)	(9,638)
Balance at December 31, 2017	$ -	$ 68,676	$ 35,723	$ 5,721	$ 110,120
Carrying amounts at December 31, 2017	$ 124,019	$ 315,970	$ 61,284	$ 4,064	$ 505,337
Cost					
Balance at January 1, 2018	$ 124,019	$ 384,646	$ 97,007	$ 9,785	$ 615,457
Additions	-	368	20,350	3,158	23,876
Disposals	-	(1,104)	(14,629)	(2,492)	(18,225)
Balance at December 31, 2018	$ 124,019	$ 383,910	$ 102,728	$ 10,451	$ 621,108
Accumulated depreciation					
Balance at January 1, 2018	$ -	$ 68,676	$ 35,723	$ 5,721	$ 110,120
Depreciation expense	-	10,968	24,354	2,080	37,402
Disposals	-	(878)	(14,577)	(2,492)	(17,947)
Balance at December 31, 2018	$ -	$ 78,766	$ 45,500	$ 5,309	$ 129,575
Carrying amounts at December 31, 2018	$ 124,019	$ 305,144	$ 57,228	$ 5,142	$ 491,533

The Group's property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-5 years

15. INTANGIBLE ASSETS

	Patents	Software	Trademark	Total
Cost				
Balance at January 1, 2017	$ 81,441	$ 10,563	$ 4,254	$ 96,258
Additions	16,170	2,490	157	18,817
Disposals	-	(1,666)	-	(1,666)
Balance at December 31, 2017	$ 97,611	$ 11,387	$ 4,411	$ 113,409
Accumulated amortization				
Balance at January 1, 2017	$ 34,717	$ 4,037	$ 2,708	$ 41,462
Amortization expense	7,594	3,200	389	11,183
Disposals	-	(1,666)	-	(1,666)
Balance at December 31, 2017	$ 42,311	$ 5,571	$ 3,097	$ 50,979
Carrying amounts at December 31, 2017	$ 55,300	$ 5,816	$ 1,314	$ 62,430
Cost				
Balance at January 1, 2018	$ 97,611	$ 11,387	$ 4,411	$ 113,409
Additions	15,310	2,617	7	17,934
Disposals	-	(2,309)	-	(2,309)
Balance at December 31, 2018	$ 112,921	$ 11,695	$ 4,418	$ 129,034
Accumulated amortization				
Balance at January 1, 2018	$ 42,311	$ 5,571	$ 3,097	$ 50,979
Amortization expense	9,482	3,294	426	13,202
Disposals	-	(2,309)	-	(2,309)
Balance at December 31, 2018	$ 51,793	$ 6,556	$ 3,523	$ 61,872
Carrying amounts at December 31, 2018	$ 61,128	$ 5,139	$ 895	$ 67,162

The Company’s major products are NeoBit®, NeoFlash®, NeoEE®, NeoFuse® and NeoMTP®, etc. There are 835 patents currently owned or applied in progress for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over the following estimated useful life:

Patents	5 years
Software	3 years
Trademark	5 years

16. OTHER ASSETS

	December 31	
	2018	2017
Current		
Temporary payment	$ 2,902	$ 2,023

17. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Bonus	$ 62,917	$ 43,601
Payable for annual leave	3,343	6,233
Payable for professional service fee	1,056	1,467
Others	26,788	29,626
	$ 94,104	$ 80,927
Other liabilities		
Receipt under custody	$ 1,008	$ 891
Receipt in advance	550	34,021
Temporary receipt	58	10
	$ 1,616	$ 34,922

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2018	2017
Present value of funded defined benefit obligation	$ 28,793	$ 26,575
Fair value of plan assets	(8,459)	(7,333)
Net defined benefit liability	$ 20,334	$ 19,242

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 25,963	$ (6,440)	$ 19,523
Net interest expense (income)	389	(103)	286
Recognized in profit or loss	389	(103)	286
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	39	39
Actuarial (gain) loss			
Changes in demographic assumptions	1,348	-	1,348
Experience adjustments	(1,125)	-	(1,125)
Recognized in other comprehensive loss	223	39	262
Contributions from the employer	-	(829)	(829)
Balance at December 31, 2017	26,575	(7,333)	19,242
Net interest expense (income)	398	(116)	282
Recognized in profit or loss	398	(116)	282
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(170)	(170)
Actuarial (gain) loss			
Changes in demographic assumptions	352	-	352
Changes in financial assumptions	538	-	538
Experience adjustments	930	-	930
Recognized in other comprehensive loss (income)	1,820	(170)	1,650
Contributions from the employer	-	(840)	(840)
Balance at December 31, 2018	$ 28,793	$ (8,459)	$ 20,334

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate	1.375%	1.50%
Expected rate of salary increase	4.00%	4.00%

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

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (1,071)	$ (1,045)
0.25% decrease	$ 1,121	$ 1,096
Expected rate of salary increase		
0.25% increase	$ 1,077	$ 1,055
0.25% decrease	$ (1,035)	$ (1,012)

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

19. EQUITY

a. Ordinary shares

	December 31	
	2018	**2017**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	75,791	75,783
Shares issued	$ 757,908	$ 757,823

For the year Ended December 31, 2018, the shares increased due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 310,759	$ 337,596
May be used to offset a deficit only		
Arising from share of changes in capital surplus of associates	41,384	41,375
Arising from issuance of ordinary−exercised/invalid employee share options	2,445	830
May not be used for any purpose		
Arising from employee share options	61,949	47,695
	$ 416,537	$ 427,496

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

c. Retained earnings and dividend policy

The Company's Articles of Incorporation state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 22 (e).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. The Company's dividend policy, in principle, shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

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

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

The appropriations of earnings for 2017 and 2016 which had been approved in the shareholders' meetings on June 14, 2018 and June 13, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	Year Ended December 31		Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 59,862	$ 48,561		
Cash dividends	538,736	436,885	$ 7.109	$ 5.765
	$ 598,598	$ 485,446		

The Company's shareholders also resolved to issue cash dividends from capital surplus of $29,631 thousand and $55,700 thousand in the shareholders' meetings on June 14, 2018 and June 13, 2017, respectively.

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on February 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 61,311	
Cash dividends	556,678	$ 7.50
	$ 617,989	

Issuance of cash dividends from capital surplus of $37,112 thousand also had been proposed by the Company's board of directors on February 26, 2019.

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 13, 2019.

d. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(62,992)
Balance at January 1 per IFRS 9	(62,992)
Recognized for the year	
Unrealized gain - equity instruments	1,060
Other comprehensive income recognized for the year	1,060
Balance at December 31	$ (61,932)

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2018				
Shares transferred to employees	-	1,567	-	1,567

In September 2018, for shares transferred to employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEx market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT$177.80 to NT$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT$404,238 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

20. SHARE-BASED PAYMENT

a. Cash-settled share-based payments of the Company

The Company issued share appreciation rights ("SARs") to certain employees on January 1, April 1, July 1 and October 1, 2015. As of December 31, 2017, the above-mentioned employee share appreciation rights have been paid to employees according to the embedded value of the share appreciation rights at the time of employee execution.

The Company recorded total expenses of NT$4,240 thousand in respect of issuance of the SARs for the year ended 2017.

b. Employee share option plan of the Company

Qualified employees of the Company were granted 500 options in February, 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TPEx on the grant date. For any subsequent changes in the Company's ordinary shares or for any cash dividends issued in excess of the ratio required in the issuance rule, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	Year Ended December 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	487	$ 338.7	500	$ 344.5
Options exercised	(8)	338.7	-	-
Options forfeited	(9)	338.7	(13)	-
Balance at December 31	470	331.6	487	338.7
Options exercisable, end of period	135	331.6	-	-

Options granted in February 2016 were priced using the Black-Scholes pricing model, and the inputs in the model were as follows:

Grant-date share price (NT$)	$351
Exercise price (NT$)	$351
Expected volatility	43.24%
Expected life (in years)	6-7 years
Expected dividend yield	-
Risk-free interest rate	0.71-0.75%

Compensation costs recognized were NT$15,869 thousand and NT$25,159 thousand for the years ended December 31, 2018 and 2017, respectively.

On December 19, 2018, the board of directors resolved to issue 3,000 units of employee share options that were effectively registered to be granted in January 2, 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company.

21. REVENUE

	Year Ended December 31	
	2018	2017
Royalty revenue	$ 1,026,710	$ 987,574
Technical service revenue	449,806	388,184
	$ 1,476,516	$ 1,375,758

a. Contact balances

	December 31, 2018
Accounts receivables (Note 11)	$ 158,335
Contract liabilities	
Technical service revenue	$ 37,822

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	Year Ended December 31, 2018
From the beginning contract liabilities	
Technical service revenue	$ 23,107

b. Partially completed contracts

	Year Ended December 31, 2018
Taiwan (Company located)	$ 880,511
China	267,184
Singapore	128,410
Korea	72,705
United States of America	36,755
Others	90,951
	$ 1,476,516

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 10,663	$ 9,976
Remuneration of directors received	10,023	9,000
Rental income	3,395	1,694
Dividend income	943	1,589
	$ 25,024	$ 22,259

b. Other gains and losses

	Year Ended December 31	
	2018	2017
Net foreign exchange gain (loss)	$ 5,615	$ (10,035)
Gain on disposal of investment	79	70,568
Loss on disposal of property, plant and equipment	(278)	-
Others	12	697
	$ 5,428	$ 61,230

c. Depreciation and amortization

	Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating expenses	$ 37,402	$ 31,383
An analysis of amortization by function		
Selling and marketing expenses	$ -	$ -
General and administrative expenses	2,130	1,940
Research and development expenses	11,072	9,243
	$ 13,202	$ 11,183

d. Employee benefits expense

	Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 18)		
Defined contribution plans	$ 15,328	$ 14,727
Defined benefit plans	282	286
	15,610	15,013
Share-based payments (see Note 20)		
Cash-settled	-	4,240
Equity-settled	15,869	25,159
	15,869	29,399
Other employee benefits	597,535	565,903
	$ 629,014	$ 610,315
An analysis of employee benefits expense by function		
Operating expenses	$ 629,014	$ 610,315

e. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 1-25% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on February 26, 2019 and February 27, 2018, respectively, are as follows:

Accrual rate

	Year Ended December 31	
	2018	2017
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	Year Ended December 31	
	2018	2017
Employees' compensation	$ 125,538	$ 121,477
Remuneration of directors	$ 12,554	$ 12,148

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 87,079	$ 78,553
Adjustments for prior periods	(754)	(102)
	86,325	78,451
Deferred tax		
In respect of the current year	(228)	2,640
Adjustments to deferred tax attributable to changes in tax rates and laws	(372)	-
Income tax expense recognized in profit or loss	$ 85,725	$ 81,091

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

	Year Ended December 31	
	2018	2017
Profit before tax	$ 698,831	$ 679,800
Income tax expense calculated at the statutory rate	$ 139,766	$ 118,459
Nondeductible expenses in determining taxable income	741	(10,321)
Tax-exempt income	(93,488)	(64,139)
Additional income tax under the Alternative Minimum Tax Act	36,614	34,389
Unrecognized deductible temporary differences and investment credits	3,218	2,805
Adjustments to deferred tax attributable to changes in tax rates and laws	(372)	-
Adjustments for prior years' tax	(754)	(102)
Income tax expense recognized in profit or loss	$ 85,725	$ 81,091

In 2017, the applicable corporate income tax rate used by the Group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Current tax liabilities

	December 31	
	2018	**2017**
Current tax liabilities		
Income tax payable	$ 71,897	$ 61,476

c. Deferred tax assets

The movements of deferred tax assets and deferred tax liabilities were as follows:

Year ended December 31, 2017

	Opening Balance	**Recognized in Profit or Loss**	**Closing Balance**
Deferred tax assets			
Temporary differences	$ 4,748	$ (2,640)	$ 2,108

Year ended December 31, 2018

	Opening Balance	**Recognized in Profit or Loss**	**Closing Balance**
Deferred tax assets			
Temporary differences	$ 2,108	$ 600	$ 2,708

d. Information about tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	**Tax-exemption Period**
Fourth expansion of the manufacturing plant	January 1, 2014-December 31, 2018
Fifth expansion of the manufacturing plant	January 1, 2015-December 31, 2019
Sixth expansion of the manufacturing plant	January 1, 2016-December 31, 2020

e. Income tax assessments

The tax returns through 2016 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 8.13	$ 7.90
Diluted earnings per share	$ 8.07	$ 7.86

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

Net Profit for the Year

	Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic earnings per share	$ 613,106	$ 598,709
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	$ 613,106	$ 598,709

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

	Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	75,425	75,783
Effect of potentially dilutive ordinary shares:		
Employees' compensation	528	317
Employee share options	-	79
Weighted average number of ordinary shares used in the computation of diluted earnings per share	75,953	76,179

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

Since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

25. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

1) The Group leases the sites of its offices and parking lots from the Richtek Technology Corporation, Winsome Development Co., Ltd and the Hsinchu Science Park Bureau with lease terms expiring at various dates from April 2019, December 2019 and December 2020, respectively. The rental payable to Science Park Bureau can be adjusted according to the lease contract, and the lease is renewable upon expiration.

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

	December 31	
	2018	2017
Not later than 1 year	$ 1,549	$ 1,064
Later than 1 year and not later than 5 years	550	1,089
	$ 2,099	$ 2,153

The lease payments recognized as expenses were as follows:

	Year Ended December 31	
	2018	2017
Minimum lease payment	$ 1,596	$ 1,501

b. The Group as lessor

The Group leases out portions of its offices to HeFeChip Corporation Limited and Optigate Inc. under operating lease agreements. The lease terms were agreed upon and detailed in the lease agreements.

The future minimum lease payments receivable on non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 3,363	$ 1,984

As of December 31, 2018 and 2017, guarantee deposits received under operating lease agreements were both $530 thousand.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy has no significant changes.

The capital structure of the Group consists of issued ordinary shares, capital surplus, retained earnings and other equity.

The Group is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ 19,180	$ -	$ 19,180

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	Estimate the value of the target by estimating the assets and liabilities items or use the observable stocks price company comparing items of balance sheet or income statement, calculate the implied value multiplier for the price and evaluate the value of the target at balance sheet dates.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 1,782,583
Financial asset at amortized cost (Note 2)	1,497,322	-
Investment in equity instrument at FVTOCI	19,180	-
Financial liabilities		
Amortized cost (Note 3)	24,171	25,209

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash, accounts receivable, other receivables, other receivables - related parties, other current assets and investments in debt instrument without active market.

Note 2: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivables, other receivables, other receivables-related parties and other current assets.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise other payables and payables on equipment.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable and other payables. The Group's corporate financial management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD, CNY and JPY.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable, other receivables, payables on equipment and other payables.

	USD Impact		CNY Impact		JPY Impact	
	Year Ended December 31		Year Ended December 31		Year Ended December 31	
	2018	2017	2018	2017	2018	2017
Profit or loss	$ 10,954	$ 5,605	$ 1,131	$ 1,144	$ 15	$ 37

b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets both at fixed and floating interest rates.

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 843,230	$ 1,220,216
Cash flow interest rate risk		
Financial assets	492,360	477,054

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by $492 thousand and $477 thousand, respectively, mainly due to the Group's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the Group has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 8,106	$ 15,759	$ 836	$ 24,701

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 9,015	$ 15,888	$ 836	$ 25,739

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
iMQ Technology Inc.	Associates
Powerchip Technology Corporation	Substantive related parties
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties
PowerFlash Technology Corp.	Substantive related parties
Zei Li Investment Corporation	Substantive related parties
Teknowledge Development Corp.	Substantive related parties
Syntronix Corporation	Substantive related parties
HeFeChip Corporation Limited	Substantive related parties
Optigate Inc.	Substantive related parties

b. Operating revenue

Line Items	Related Party Category	Year Ended December 31 2018	Year Ended December 31 2017
Sales	Substantive related parties	$ 44,707	$ 76,443
	Associates	1,802	1,823
		$ 46,509	$ 78,266

The prices that the Group transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Operating expense

Line Items	Related Party Category	Year Ended December 31 2018	Year Ended December 31 2017
Other operating expense	Substantive related parties	$ -	$ 35

d. Other income

Line Items	Related Party Category	Year Ended December 31 2018	Year Ended December 31 2017
Remuneration of directors received	Substantive related parties		
	Powerchip Technology Corporation	$ 10,000	$ 9,000
	Others	23	-
		$ 10,023	$ 9,000
Rental income	Substantive related parties		
	HeFeChip Corporation Limited	$ 3,335	$ 1,390
	PowerFlash Technology Corp.	-	284
	Others	10	20
		$ 3,345	$ 1,694
Dividend income	Substantive related parties		
	Powerchip Technology Corporation	$ -	$ 539

The prices and payment terms of the lease agreements between the Group and related parties were decided by the two sides.

e. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Category	December 31 2018	December 31 2017
Other receivables - related parties	Substantive related parties		
	HeFeChip Corporation Limited	$ 251	$ 577

f. Contract Liabilities

Related Party Category	December 31, 2018
Associates	$ 1,312
Substantive related parties	452
	$ 1,764

g. Other current liabilities

Line Items	Related Party Category	December 31 2018	December 31 2017
Receipt in advance	Substantive related parties		
	HeFeChip Corporation Limited	$ 550	$ 550
	Associates	-	457
		$ 550	$ 1,007
Temporary receipt	Substantive related parties		
	Optigate Inc.	$ -	$ 10

h. Guarantee deposits received

Line Items	Related Party Category	December 31 2018	December 31 2017
Guarantee deposits received	Substantive related parties		
	HeFeChip Corporation Limited	$ 520	$ 520
	Others	-	10
		$ 520	$ 530

i. Disposal of financial assets

2017

Related Party Category	Line Items	Shares (In Thousands)	Object of Transaction	Proceeds from Disposal of Financial Assets	Gain (Loss) from Disposal of Financial Assets
Substantive related parties					
Teknowledge Development Corp.	Financial assets measured at cost-noncurrent	700	Deutron Electronics Corp. - Ordinary shares	$ 37,058	$ 35,525
Substantive related parties					
Zei Li Investment Corporation	Financial assets measured at cost-noncurrent	700	Deutron Electronics Corp. - Ordinary shares	36,570	35,037
		1,400		$ 73,628	$ 70,562

The prices of the Group’s and the related parties' equity trading transactions were based on specifically negotiated prices. The negotiated price per share was based on the price range assessment report issued by the expert, and the report has been reviewed by independent CPA.

j. Compensation of key management personnel

The compensation to directors and the key management personnel were as follows:

	Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 85,100	$ 80,398
Post-employment benefits	1,002	1,055
Share-based payment transactions	4,696	7,358
	$ 90,798	$ 88,811

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group were provided as deposits for the tariff of imported raw materials:

	December 31	
	2018	2017
Pledged time deposits (classified as financial assets a amortized cost)	$ 112	$ -
Pledged time deposits (classified as investments in debt instrument without active market)	-	111
	$ 112	$ 111

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,158	30.715	$ 219,843
CNY	5,057	4.472	22,614
JPY	1,087	0.2782	302
			$ 242,759
Financial liabilities			
Monetary items			
USD	25	30.715	$ 754

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,778	29.760	$ 112,435
CNY	5,014	4.565	22,889
JPY	2,821	0.2642	745
			$ 136,069
Financial liabilities			
Monetary items			
USD	12	29.760	$ 344
EUR	4	35.570	141
			$ 485

The significant unrealized foreign exchange gains (losses) were as follows:

	Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.715 (USD:NTD)	$ 2,070	29.760 (USD:NTD)	$ (1,996)

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

   1) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities). (Table 1)

   2) Information on investees. (Table 2)

b. Information on investments in mainland China: (None)

32. SEGMENT INFORMATION

a. Segment revenue, operating results and segment assets

   For resources allocation and performance assessment, the Group’s chief operating decision maker reviews the operating results regularly. The Group’s segments are aggregated into a single reportable segment.

The measurement basis of segment information presented to the chief operating decision maker is consistent with the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2018 and 2017 can be referred to the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017. The segment assets as of December 31, 2018 and 2017 can be referred to the consolidated balance sheets as of December 31, 2018 and 2017.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	Year Ended December 31	
	2018	**2017**
Royalty income	$ 1,026,710	$ 987,574
Revenue from technical service	449,806	388,184
	$ 1,476,516	$ 1,375,758

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2018	**2017**	**2018**	**2017**
Taiwan (Company located)	$ 880,511	$ 833,085	$ 491,533	$ 505,337
China	267,184	178,947	-	-
Singapore	128,410	145,403	-	-
Korea	72,705	120,039	-	-
United States of America	36,755	15,615	-	-
Japan	27,768	22,432	-	-
Hong Kong	21,362	16,312	-	-
Cayman Island	14,487	6,859	-	-
Malaysia	13,116	20,143	-	-
United Kingdom	6,410	5,889	-	-
Others	7,808	11,034	-	-
	$1,476,516	$1,375,758	$ 491,533	$ 505,337

Non-current assets include property, plant and equipment only.

d. Information about major customers

Revenue from royalty income of $1,026,710 thousand and $987,574 thousand in 2018 and 2017 respectively, included revenues of approximately $565,878 thousand and $576,425 thousand which were sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

TABLE 1

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
eMemory Technology Inc.	Shares							
	Powerchip Technology Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	583	$ 12,260	-	$ 12,260	Note 2
	Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,100	6,920	2.81	6,920	Note 2
	PowerFlash Technology Corp.	The Company is its director.	Financial assets at fair value through other comprehensive income - noncurrent	40	-	3.99	-	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of December 31, 2018.

Note 3: As of December 31, 2018, the above marketable securities had not been pledged or mortgaged.

TABLE 2

EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
eMemory Technology Inc.	iMQ Technology Inc.	Hsinchu City	Electronic Parts and Components Manufacturing	$ 27,900	$ 27,900	2,057	4.25	$ 6,046	$(102,503)	$ (4,356)	Investment accounted for using equity method

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
eMemory Technology Inc.

Opinion

We have audited the accompanying parent company only financial statements of eMemory Technology Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 parent company only financial position of the Company as of December 31, 2018 and 2017, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

1. The major revenue source of the Company is royalty revenue, refer to Note 20 for related information. To elaborate, when IC design companies' products with the silicon intellectual property of the Company are expected to be mass produced and shipped from the wafer foundries, the wafer foundries will pay a certain percentage of royalty fee based on the wafer price.

2. The Company recognizes royalty revenue based on the contracts and the time when the royalty reports are signed back. The related risks may exist if the royalty revenue from wafer foundries is not recognized at the appropriate time.

3. To verify the accuracy and recognition timing of the royalty revenue, we established the revenue recognition policy of the Company, assessed the reasonableness of the revenue recognition timing, performed relevant control tests and analytical procedures, as well as traced a certain number of royalty revenue transactions before and after the end of reporting period with relevant supporting documents and accounting records.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the 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.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yih-Shin Kao and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

<u>*Notice to Readers*</u>

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

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

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018 Amount	2018 %	2017 Amount	2017 %
CURRENT ASSETS				
Cash (Notes 3, 4 and 6)	$ 1,302,003	62	$ 1,663,684	69
Accounts receivable - net (Notes 3, 4, 5 11 and 20)	158,335	8	82,457	4
Other receivables (Notes 3 and 4)	225	-	238	-
Other receivables - related parties (Notes 3, 4 and 27)	251	-	577	-
Prepayments	19,889	1	17,998	1
Other current assets (Notes 3, 4 and 15)	2,902	-	2,023	-
Total current assets	1,483,605	71	1,766,977	74
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4, 7 and 26)	19,180	1	-	-
Financial assets at amortized cost - noncurrent (Notes 3, 4, 8 and 28)	33,612	2	-	-
Financial assets measured at cost - noncurrent (Notes 3, 4 and 9)	-	-	8,406	-
Investments in debt instrument without active market - noncurrent (Notes 3, 4, 10 and 28)	-	-	33,611	1
Investment accounted for using equity method (Notes 4 and 12)	6,046	-	10,393	-
Property, plant and equipment (Notes 4 and 13)	491,533	23	505,337	21
Intangible assets (Notes 4 and 14)	67,162	3	62,430	3
Deferred tax assets (Notes 4 and 22)	2,708	-	2,108	-
Prepayments for equipment	-	-	11,493	1
Refundable deposits	331	-	315	-
Total non-current assets	620,572	29	634,093	26
TOTAL	$ 2,104,177	100	$ 2,401,070	100

LIABILITIES AND EQUITY	2018 Amount	2018 %	2017 Amount	2017 %
CURRENT LIABILITIES				
Contract liabilities - current (Notes 3, 20 and 27)	$ 37,822	2	$ -	-
Other payables (Note 16)	94,104	5	80,927	3
Bonuses payable to employees and directors (Note 21)	138,092	7	133,625	6
Payables on equipment	6,241	-	5,189	-
Current tax liabilities (Notes 4 and 22)	71,897	3	61,476	3
Other current liabilities (Notes 3, 16 and 27)	1,616	-	34,922	1
Total current liabilities	349,772	17	316,139	13
NON-CURRENT LIABILITIES				
Net defined benefit liabilities - noncurrent (Notes 4 and 17)	20,334	1	19,242	1
Guarantee deposits received (Notes 24 and 27)	530	-	530	-
Total non-current liabilities	20,864	1	19,772	1
Total liabilities	370,636	18	335,911	14
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 3, 4, 18 and 19)				
Ordinary shares	757,908	36	757,823	31
Capital surplus	416,537	20	427,496	18
Retained earnings				
Legal reserve	340,160	16	280,298	12
Special reserve	926	-	926	-
Unappropriated earnings	684,180	32	598,616	25
Total retained earnings	1,025,266	48	879,840	37
Other equity	(61,932)	(3)	-	-
Treasury shares	(404,238)	(19)	-	-
Total equity	1,733,541	82	2,065,159	86
TOTAL	$ 2,104,177	100	$ 2,401,070	100

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

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 20 and 27)	$ 1,476,516	100	$ 1,375,758	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	1,476,516	100	1,375,758	100
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	120,678	8	120,479	9
General and administrative expenses	169,610	11	165,328	12
Research and development expenses	505,475	34	485,697	35
Expected credit loss (Notes 4, 5, 11)	8,018	1	-	-
Total operating expenses	803,781	54	771,504	56
OPERATING INCOME	672,735	46	604,254	44
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 21 and 27)	25,024	2	20,684	2
Other gains and losses (Notes 4 and 21)	5,428	-	(9,332)	(1)
Share of loss of associates (Notes 4 and 12)	(4,356)	-	60,708	4
Total non-operating income and expenses	26,096	2	72,060	5
PROFIT BEFORE INCOME TAX	698,831	48	676,314	49
INCOME TAX EXPENSE (Notes 4 and 22)	85,725	6	77,605	5
NET PROFIT FOR THE YEAR	613,106	42	598,709	44
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	(1,650)	-	(262)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 3, 4 and 18)	1,060	-	-	-
Other comprehensive income for the year	(590)	-	(262)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 612,516	42	$ 598,447	44
EARNINGS PER SHARE (Note 23)				
Basic	$ 8.13		$ 7.90	
Diluted	$ 8.07		$ 7.86	

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

EMEMORY TECHNOLOGY INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Ordinary Shares			Retained Earnings				Other Equity		
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2017	75,783	$ 757,823	$ 448,025	$ 231,737	$ 926	$ 485,615	$ 718,278	$ -	$ -	$ 1,924,126
Appropriation of 2016 earnings										
Legal reserve	-	-	-	48,561	-	(48,561)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(436,885)	(436,885)	-	-	(436,885)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	10,012	-	-	-	-	-	-	10,012
Issuance of cash dividends from capital surplus	-	-	(55,700)	-	-	-	-	-	-	(55,700)
Net profit for the year ended December 31, 2017	-	-	-	-	-	598,709	598,709	-	-	598,709
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(262)	(262)	-	-	(262)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	598,447	598,447	-	-	598,447
Share-based payment	-	-	25,159	-	-	-	-	-	-	25,159
BALANCE, DECEMBER 31, 2017	75,783	757,823	427,496	280,298	926	598,616	879,840	-	-	2,065,159
Effect of retrospective application	-	-	-	-	-	72,706	72,706	(62,992)	-	9,714
ADJUSTED JANUARY 1, 2018	75,783	757,823	427,496	280,298	926	671,322	952,546	(62,992)	-	2,074,873
Appropriation of 2017 earnings										
Legal reserve	-	-	-	59,862	-	(59,862)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(538,736)	(538,736)	-	-	(538,736)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9	-	-	-	-	-	-	9
Issuance of cash dividends from capital surplus	-	-	(29,631)	-	-	-	-	-	-	(29,631)
Net profit for the year ended December 31, 2018	-	-	-	-	-	613,106	613,106	-	-	613,106
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(1,650)	(1,650)	1,060	-	(590)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	611,456	611,456	1,060	-	612,516
Issuance of ordinary shares under employee share options	8	85	2,794	-	-	-	-	-	-	2,879
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(404,238)	(404,238)
Share-based payment	-	-	15,869	-	-	-	-	-	-	15,869
BALANCE, DECEMBER 31, 2018	75,791	$ 757,908	$ 416,537	$ 340,160	$ 926	$ 684,180	$ 1,025,266	$ (61,932)	$ (404,238)	$ 1,733,541

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

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 698,831	$ 676,314
Adjustments for:		
Depreciation expenses	37,402	31,383
Amortization expenses	13,202	11,183
Expected credit loss/bad debt expense	8,018	1,587
Interest income	(10,663)	(9,451)
Dividend income	(943)	(539)
Share-based payment	15,869	25,159
Share of loss of associates	4,356	(60,708)
Loss on disposal of property, plant and equipment	278	-
Gain on disposal of investments	(79)	(6)
Net (gain) loss on foreign currency exchange	(1,015)	5,945
Changes in operating assets and liabilities		
Accounts receivable	(83,763)	(22,703)
Accounts receivable - related parties	-	1,683
Other receivables - related parties	326	(533)
Prepayments	(1,895)	(4,326)
Other current assets	(879)	(500)
Contract liabilities	4,351	-
Other payables	13,176	(16,159)
Other current liabilities	165	11,002
Net defined benefit liabilities	(558)	(543)
Bonuses payable to employees and directors	4,467	24,023
Cash generated from operations	700,646	672,811
Interest received	10,676	9,453
Income tax paid	(75,900)	(29,695)
Net cash generated from operating activities	635,422	652,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1)	-
Acquisition of financial assets at fair value through profit or loss	(600,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	600,079	-
Acquisition of available-for-sale financial assets	-	(40,000)
Proceeds from disposal of available-for-sale financial assets	-	40,006
Increase in debt investments without active market	-	(1)
Net cash flow on merger of subsidiaries	-	102,577
Acquisition of property, plant and equipment	(11,335)	(34,616)
Increase in refundable deposits	(16)	(15)
Acquisition of intangible assets	(17,934)	(18,817)
Increase in prepayments for equipment	-	(11,493)
Dividend received	943	63,219
Net cash (used in) generated from investing activities	(28,264)	100,860

(Continued)

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	$ -	$ 115
Dividends paid	(568,353)	(492,585)
Exercise of employee share options	2,879	-
Payments for buy-back of ordinary shares	(404,238)	-
Net cash used in financing activities	(969,712)	(492,470)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	873	(2,518)
NET(DECREASE) INCREASE IN CASH	(361,681)	258,441
CASH AT THE BEGINNING OF THE YEAR	1,663,684	1,405,243
CASH AT THE END OF THE YEAR	$ 1,302,003	$ 1,663,684

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

1. GENERAL INFORMATION

eMemory Technology Inc. (the “Company”) was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company’s main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company’s shares have been listed on the TPEx since January 2011.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on February 26, 2019.

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

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

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

   1) IFRS 9 “Financial Instruments” and related amendments

      IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

Financial Assets	Measurement Category: IAS 39	Measurement Category: IFRS 9	Carrying Amount: IAS 39	Carrying Amount: IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,663,684	$ 1,663,684	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	8,406	18,120	(1)
Time deposits with original maturities of more than 1 year	Loans and receivables	Amortized cost	33,500	33,500	
Financial Assets pledged as collateral	Loans and receivables	Amortized cost	111	111	
Accounts receivables and other receivables(include related parties)	Loans and receivables	Amortized cost	83,272	83,272	(2)
Other assets-current	Loans and receivables	Amortized cost	2,016	2,016	

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI-Equity instruments	$ -	$ 8,406	$ 9,714	$ 18,120	$ 72,706	$ (62,992)	(1)
Add: Reclassification from available-for-sale (IAS 39)	8,406	(8,406)	-	-	-	-	(1)
	8,406	-	9,714	18,120	72,706	(62,992)	
Amortized cost	-	1,782,583	-	1,782,583	-	-	(2)
Add: Reclassification from loans and receivables (IAS 39)	1,782,583	(1,782,583)	-	-	-	-	(2)
	1,782,583	-	-	1,782,583	-	-	
	$ 1,790,989	$ -	$ 9,714	$ 1,800,703	$ 72,706	$ (62,992)	

(1) Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $9,714 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $72,706 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $72,706 thousand in retained earnings on January 1, 2018.

(2) Accounts receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for current year

	As Originally Stated on January 1, 2018	Adjustments Arising from Initial Application	Restated on January 1, 2018
Contract liabilities - current	$ -	$ 33,471	$ 33,471
Advance receives(Other current liabilities)	33,471	(33,471)	-
Total effect on liabilities	$ 33,471	$ -	$ 33,471

3) IFRIC 22"Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations.

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within financing activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

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

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

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company leased dormitories from the Hsinchu Science Park Bureau and subleased its leasehold dormitory to employees. The Company will assess the sublease classification as an operating lease, on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,986	$ 8,986
Total effect on assets	$ -	$ 8,986	$ 8,986
Lease liabilities - current	$ -	$ 2,781	$ 2,781
Lease liabilities - non-current	-	6,205	6,205
Total effect on liabilities	$ -	$ 8,986	$ 8,986

Except for the above impacts, as of the date the parent company only financial statements were authorized for issue, the Company assessing the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's financial position and financial performance.

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

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

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

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries and associates, as appropriate, in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities.

e. Foreign currencies

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

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

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

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Company compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest Company of CGUs to which the CGU belongs, this smallest Company is used for impairment testing.

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable, other receivables, and other current assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

Cash include highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including accounts receivable, cash, investments in debt instrument without active market, other receivables, and other current assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash include highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

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

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable are assessed for impairment on an individual basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company entity are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

2018

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Authorized revenue

a) Technical service revenue

The Company identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

b) Royalty revenue

Revenue received from the intellectual property that remains operational without updated authorization or technical support is the royalty revenue. While customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on production, sales or other measures and the revenue is recognized with reference to the underlying arrangements.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Revenue of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Revenue from technical service is recognized in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

3) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Company and that the amount of revenue can be measured reliably. Royalty arrangements that are based on production, sales and other measures are recognized with reference to the underlying arrangement.

4) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

o. Share-based payment arrangements

1) Employee share options granted to employees

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

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Cash-settled share-based payment arrangements

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Business model assessment for financial assets - 2018

The Company determines the business model at a level that reflects how Company of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated and the risks that affect the performance of the assets. The Company monitors financial assets measured at amortized cost when assets are derecognized prior to their maturity, the Company understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivables (include related parties) is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions and industrial economic trends. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2018	**2017**
Bank deposits	$ 1,301,978	$ 1,663,659
Cash on hand	25	25
	$ 1,302,003	$ 1,663,684

The market rates of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Bank deposits	0.001%-3.55%	0.001%-3.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 19,180
Domestic investments	
Unlisted shares	
Ordinary shares - Powerchip Technology Corporation	$ 12,260
Ordinary shares - Syntronix Corporation	6,920
	$ 19,180

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Non-current	
Domestic investments	
Time deposit with original maturity of more than 1 year	$ 33,500
Pledged time deposits	112
	$ 33,612

a. The interest rates for time deposits with original maturity of more than 1 years were from 1.015% to 1.09% as at the end of the reporting period. The time deposits were classified as investments in debt instrument without active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 26 for information relating to their credit risk management and impairment of financial assets at amortized cost.

c. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

9. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 8,406
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 8,406

Management believed that the fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

10. INVESTMENTS IN DEBT INSTRUMENT WITHOUT ACTIVE MARKET - 2017

	December 31, 2017
Non-current	
Time deposits with original maturity of more than 1 year	$ 33,500
Pledged time deposits	111
	$ 33,611

a. As of December 31, 2017, the market interest rates of the time deposits with original maturities of more than 1 year were 1.015%-1.16%.

b. Refer to Note 28 for information relating to investments in debt instrument without active market pledged as security.

11. ACCOUNTS RECEIVABLE, NET

	December 31	
	2018	2017
Accounts receivable	$ 168,424	$ 84,528
Less: Allowance for impairment loss	(10,089)	(2,071)
	$ 158,335	$ 82,457

For the year ended 2018

The average credit term was 30 to 60 days. No interest was charged on accounts receivable. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved.

The Company applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The lifetime expected credit losses are estimated considering past default experience and current financial position of the customers as well as industrial economic conditions. The Company's expected credit loss rates are set by individual customer based on historical credit loss experience.

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

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 119,728	$ 11,010	$ 28,318	$ 9,368	$ -	$ 168,424
Loss allowance (lifetime ECL)	(1,783)	-	(5,542)	(2,764)	-	(10,089)
Amortized cost	$ 117,945	$ 11,010	$ 22,776	$ 6,604	$ -	$ 158,335

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 2,071
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	2,071
Add: Net remeasurement of loss allowance	8,018
Balance at December 31, 2018	$ 10,089

For the year ended 2017

The Company applied the same credit policy in 2018 and 2017. The average credit period of sales was 30 to 60 days. No interest was charged on accounts receivable. In determining the recoverability of an account receivable, the Company considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. Because historical experience had been that receivables that are past due beyond 180 days were likely to be irrecoverable, allowance for doubtful accounts were recognized against accounts receivable based on estimated irrecoverable amount which is determined by reference to average default days of the counterparties in the past year. The Company recognizes an allowance for doubtful accounts of 100% against all receivables from counterparties if their average default days in the past year were over 181 days.

For the accounts receivable balances that were past due at the end of the reporting period, the Company did not recognize an allowance for doubtful accounts because there was not a significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging analysis of receivables was as follows:

	December 31, 2017
Not past due	$ 62,032
1-30 days	19,247
31-90 days	868
91-180 days	2,381
	$ 84,528

The above analysis was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
1-30 days	$ 17,313
31-90 days	595
91-180 days	2,381
	$ 20,289

The above analysis was based on the past due date.

The movements of allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 484	$ -	$ 484
Add: Bad debt expense recognized	1,587	-	1,587
Balance at December 31, 2017	$ 2,071	$ -	$ 2,071

Age of impaired accounts receivable was as follows:

	December 31, 2017
Less than 90 days	$ 4,141

The above aging of accounts receivable before deducting the allowance for doubtful accounts was presented based on the past due date.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Investments in subsidiaries

On October 25, 2017, the board of directors approved to merge with Lotus Glade Investment Inc. in accordance with Article 19 of the Business Mergers and Acquisitions Act. After the consolidation the Company is the surviving company while Lotus Glade Investment Inc. is the dissolved company. This merger took effect on November 28, 2017.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments from January 1 to November 28, 2017 were based on the subsidiaries' financial statements audited by the auditors during the same year.

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material		
iMQ Technology Inc.	$ 6,046	$ 10,393

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2017
iMQ Technology Inc.	4.25%	4.25%

	Year Ended December 31	
	2018	2017
The Company's share of :		
Loss from continuing operations	$ (4,356)	$ (6,507)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the period	$ (4,356)	$ (6,507)

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc. and the Company acts as the director of iMQ Technology Inc.

As the information about business nature, main operation location and the registered country. Refer to Table 2.

The investments in associates accounted for using the equity method, the share of net profit or loss and the share of other comprehensive (loss) income from investments were calculated based on the audited financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
Cost					
Balance at January 1, 2017	$ 124,019	$ 384,271	$ 73,467	$ 9,867	$ 591,624
Additions	-	375	31,279	1,817	33,471
Disposals	-	-	(7,739)	(1,899)	(9,638)
Balance at December 31, 2017	$ 124,019	$ 384,646	$ 97,007	$ 9,785	$ 615,457
Accumulated depreciation					
Balance at January 1, 2017	$ -	$ 57,719	$ 25,151	$ 5,505	$ 88,375
Depreciation expense	-	10,957	18,311	2,115	31,383
Disposals	-	-	(7,739)	(1,899)	(9,638)
Balance at December 31, 2017	$ -	$ 68,676	$ 35,723	$ 5,721	$ 110,120
Carrying amounts at December 31, 2017	$ 124,019	$ 315,970	$ 61,284	$ 4,064	$ 505,337
Cost					
Balance at January 1, 2018	$ 124,019	$ 384,646	$ 97,007	$ 9,785	$ 615,457
Additions	-	368	20,350	3,158	23,876
Disposals	-	(1,104)	(14,629)	(2,492)	(18,225)
Balance at December 31, 2018	$ 124,019	$ 383,910	$ 102,728	$ 10,451	$ 621,108
Accumulated depreciation					
Balance at January 1, 2018	$ -	$ 68,676	$ 35,723	$ 5,721	$ 110,120
Depreciation expense	-	10,968	24,354	2,080	37,402
Disposals	-	(878)	(14,577)	(2,492)	(17,947)
Balance at December 31, 2018	$ -	$ 78,766	$ 45,500	$ 5,309	$ 129,575
Carrying amounts at December 31, 2018	$ 124,019	$ 305,144	$ 57,228	$ 5,142	$ 491,533

The Company's property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-5 years

14. INTANGIBLE ASSETS

	Patents	Software	Trademark	Total
Cost				
Balance at January 1, 2017	$ 81,441	$ 10,563	$ 4,254	$ 96,258
Additions	16,170	2,490	157	18,817
Disposals	-	(1,666)	-	(1,666)
Balance at December 31, 2017	$ 97,611	$ 11,387	$ 4,411	$ 113,409
Accumulated amortization				
Balance at January 1, 2017	$ 34,717	$ 4,037	$ 2,708	$ 41,462
Amortization expense	7,594	3,200	389	11,183
Disposals	-	(1,666)	-	(1,666)
Balance at December 31, 2017	$ 42,311	$ 5,571	$ 3,097	$ 50,979
Carrying amounts at December 31, 2017	$ 55,300	$ 5,816	$ 1,314	$ 62,430
Cost				
Balance at January 1, 2018	$ 97,611	$ 11,387	$ 4,411	$ 113,409
Additions	15,310	2,617	7	17,934
Disposals	-	(2,309)	-	(2,309)
Balance at December 31, 2018	$ 112,921	$ 11,695	$ 4,418	$ 129,034
Accumulated amortization				
Balance at January 1, 2018	$ 42,311	$ 5,571	$ 3,097	$ 50,979
Amortization expense	9,482	3,294	426	13,202
Disposals	-	(2,309)	-	(2,309)
Balance at December 31, 2018	$ 51,793	$ 6,556	$ 3,523	$ 61,872
Carrying amounts at December 31, 2018	$ 61,128	$ 5,139	$ 895	$ 67,162

The Company's major products are NeoBit®, NeoFlash®, NeoEE®, NeoFuse® and NeoMTP®, etc. There are 835 patents currently owned or applied in progress for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over the following estimated useful life:

Patents	5 years
Software	3 years
Trademark	5 years

15. OTHER ASSETS

	December 31	
	2018	2017
Current		
Temporary payment	$ 2,902	$ 2,023

16. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Bonus	$ 62,917	$ 43,601
Payable for annual leave	3,343	6,233
Payable for professional service fee	1,056	1,467
Others	26,788	29,626
	$ 94,104	$ 80,927
Other liabilities		
Receipt under custody	$ 1,008	$ 891
Receipt in advance	550	34,021
Temporary receipt	58	10
	$ 1,616	$ 34,922

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2018	**2017**
Present value of funded defined benefit obligation	$ 28,793	$ 26,575
Fair value of plan assets	(8,459)	(7,333)
Net defined benefit liability	$ 20,334	$ 19,242

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2017	$ 25,963	$ (6,440)	$ 19,523
Net interest expense (income)	389	(103)	286
Recognized in profit or loss	389	(103)	286
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	39	39
Actuarial (gain) loss			
Changes in demographic assumptions	1,348	-	1,348
Experience adjustments	(1,125)	-	(1,125)
Recognized in other comprehensive loss	223	39	262
Contributions from the employer	-	(829)	(829)
Balance at December 31, 2017	26,575	(7,333)	19,242
Net interest expense (income)	398	(116)	282
Recognized in profit or loss	398	(116)	282

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (170)	$ (170)
Actuarial (gain) loss			
Changes in demographic assumptions	352	-	352
Changes in financial assumptions	538	-	538
Experience adjustments	930	-	930
Recognized in other comprehensive loss (income)	1,820	(170)	1,650
Contributions from the employer	-	(840)	(840)
Balance at December 31, 2018	$ 28,793	$ (8,459)	$ 20,334

(Concluded)

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

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

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

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

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

	December 31	
	2018	2017
Discount rate	1.375%	1.50%
Expected rate of salary increase	4.00%	4.00%

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

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (1,071)	$ (1,045)
0.25% decrease	$ 1,121	$ 1,096
Expected rate of salary increase		
0.25% increase	$ 1,077	$ 1,055
0.25% decrease	$ (1,035)	$ (1,012)

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

18. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	75,791	75,783
Shares issued	$ 757,908	$ 757,823

For the year Ended December 31, 2018, the shares increased due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 310,759	$ 337,596
May be used to offset a deficit only		
Arising from share of changes in capital surplus of associates	41,384	41,375
Arising from issuance of ordinary - exercised/invalid employee share options	2,445	830
May not be used for any purpose		
Arising from employee share options	61,949	47,695
	$ 416,537	$ 427,496

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

c. Retained earnings and dividend policy

The Company's Articles of Incorporation state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 21 (e).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. The Company's dividend policy, in principle, shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

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

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

The appropriations of earnings for 2017 and 2016 which had been approved in the shareholders' meetings on June 14, 2018 and June 13, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	Year Ended December 31		Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 59,862	$ 48,561		
Cash dividends	538,736	436,885	$ 7.109	$ 5.765
	$ 598,598	$ 485,446		

The Company's shareholders also resolved to issue cash dividends from capital surplus of $29,631 thousand and $55,700 thousand in the shareholders' meetings on June 14, 2018 and June 13, 2017, respectively.

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on February 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 61,311	
Cash dividends	556,678	$ 7.50
	$ 617,989	

Issuance of cash dividends from capital surplus of $37,112 thousand also had been proposed by the Company's board of directors on February 26, 2019.

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 13, 2019.

d. Other equity items

Unrealized gain/(loss) on financial assets at FVTOCI

	Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(62,992)
Balance at January 1 per IFRS 9	(62,992)
Recognized for the year	
Unrealized gain - equity instruments	1,060
Other comprehensive income recognized for the year	1,060
Balance at December 31	$ (61,932)

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2018				
Shares transferred to employees	-	1,567	-	1,567

In September 2018, for shares transferred to employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEx market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT$177.80 to NT$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT$404,238 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

19. SHARE-BASED PAYMENT

a. Cash-settled share-based payments of the Company

The Company issued share appreciation rights ("SARs") to certain employees on January 1, April 1, July 1 and October 1, 2015. As of December 31, 2017, the above-mentioned employee share appreciation rights have been paid to employees according to the embedded value of the share appreciation rights at the time of employee execution.

The Company recorded total expenses of NT$4,240 thousand in respect of issuance of the SARs for the year ended 2017.

b. Employee share option plan of the Company

Qualified employees of the Company were granted 500 options in February, 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TPEx on the grant date. For any subsequent changes in the Company's ordinary shares or for any cash dividends issued in excess of the ratio required in the issuance rule, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	Year Ended December 31			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	487	$ 338.7	500	$ 344.5
Options exercised	(8)	338.7	-	-
Options forfeited	(9)	338.7	(13)	-
Balance at December 31	470	331.6	487	338.7
Options exercisable, end of period	135	331.6	-	-

Options granted in February 2016 were priced using the Black-Scholes pricing model and the inputs in the model were as follows:

Grant-date share price (NT$)	$ 351
Exercise price (NT$)	$ 351
Expected volatility	43.24%
Expected life (in years)	6-7 years
Expected dividend yield	-
Risk-free interest rate	0.71-0.75%

Compensation costs recognized were NT$15,869 thousand and NT$25,159 thousand for the years ended December 31, 2018 and 2017, respectively.

On December 19, 2018, the board of directors resolved to issue 3,000 units of employee share options that were effectively registered to be granted in January 2, 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company.

20. REVENUE

	Year Ended December 31	
	2018	2017
Royalty revenue	$ 1,026,710	$ 987,574
Technical service revenue	449,806	388,184
	$ 1,476,516	$ 1,375,758

a. Contact balances

	December 31, 2018
Accounts receivables (Note 11)	$ 158,335
Contract liabilities	
Technical service revenue	$ 37,822

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	Year Ended December 31 2018
From the beginning contract liabilities	
Technical service revenue	$ 23,107

b. Partially completed contracts

	Year Ended December 31 2018
Taiwan (Company located)	$ 880,511
China	267,184
Singapore	128,410
Korea	72,705
United States of America	36,755
Others	90,951
	$ 1,476,516

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 10,663	$ 9,451
Remuneration of directors received	10,023	9,000
Rental income	3,395	1,694
Dividend income	943	539
	$ 25,024	$ 20,684

b. Other gains and losses

	Year Ended December 31	
	2018	2017
Net foreign exchange gain (loss)	$ 5,615	$ (10,035)
Gain on disposal of investment	79	6
Loss on disposal of property, plant and equipment	(278)	-
Others	12	697
	$ 5,428	$ (9,332)

c. Depreciation and amortization

	Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating expenses	$ 37,402	$ 31,383
An analysis of amortization by function		
Selling and marketing expenses	$ -	$ -
General and administrative expenses	2,130	1,940
Research and development expenses	11,072	9,243
	$ 13,202	$ 11,183

d. Employee benefits expense

	Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 17)		
Defined contribution plans	$ 15,328	$ 14,661
Defined benefit plans	282	286
	15,610	14,947
Share-based payments (see Note 19)		
Cash-settled	-	4,240
Equity-settled	15,869	25,159
	15,869	29,399
Other employee benefits	597,535	564,698
	$ 629,014	$ 609,044
An analysis of employee benefits expense by function		
Operating expenses	$ 629,014	$ 609,044

e. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 1-25% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on February 26, 2019 and February 27, 2018, respectively, are as follows:

Accrual rate

	Year Ended December 31	
	2018	2017
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	Year Ended December 31	
	2018	2017
Employees' compensation	$ 125,538	$ 121,477
Remuneration of directors	$ 12,554	$ 12,148

If there is a change in the amounts after the parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2017 and 2016.

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

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 87,079	$ 75,067
Adjustments for prior periods	(754)	(102)
	86,325	74,965
Deferred tax		
In respect of the current year	(228)	2,640
Adjustments to deferred tax attributable to changes in tax rates and laws	(372)	-
Income tax expense recognized in profit or loss	$ 85,725	$ 77,605

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

	Year Ended December 31	
	2018	2017
Profit before tax	$ 698,831	$ 676,314
Income tax expense calculated at the statutory rate	$ 139,766	$ 114,973
Nondeductible expenses in determining taxable income	741	(10,321)
Tax-exempt income	(93,488)	(64,139)
Additional income tax under the Alternative Minimum Tax Act	36,614	34,389
Unrecognized deductible temporary differences and investment credits	3,218	2,805
Adjustments to deferred tax attributable to changes in tax rates and laws	(372)	-
Adjustments for prior years' tax	(754)	(102)
Income tax expense recognized in profit or loss	$ 85,725	$ 77,605

In 2017, the applicable corporate income tax rate used by the Company entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 71,897	$ 61,476

c. Deferred tax assets

The movements of deferred tax assets and deferred tax liabilities were as follows:

Year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 4,748	$ (2,640)	$ 2,108

Year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 2,108	$ 600	$ 2,708

d. Information about tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Fourth expansion of the manufacturing plant	January 1, 2014-December 31, 2018
Fifth expansion of the manufacturing plant	January 1, 2015-December 31, 2019
Sixth expansion of the manufacturing plant	January 1, 2016-December 31, 2020

e. Income tax assessments

The tax returns through 2016 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	Year Ended December 31	
	2018	2017
Basic earnings per share	$ 8.13	$ 7.90
Diluted earnings per share	$ 8.07	$ 7.86

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

Net Profit for the Year

	Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic earnings per share	$ 613,106	$ 598,709
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	$ 613,106	$ 598,709

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

	Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	75,425	75,783
Effect of potentially dilutive ordinary shares:		
Employees' compensation	528	317
Employee share options	-	79
Weighted average number of ordinary shares used in the computation of diluted earnings per share	75,953	76,179

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

Since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

24. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

1) The Company leases the sites of its offices and parking lots from the Richtek Technology Corporation, Winsome Development Co., Ltd and the Hsinchu Science Park Bureau with lease terms expiring at various dates from April 2019, December 2019 and December 2020, respectively. The rental payable to Science Park Bureau can be adjusted according to the lease contract, and the lease is renewable upon expiration.

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

	December 31	
	2018	2017
Not later than 1 year	$ 1,549	$ 1,064
Later than 1 year and not later than 5 years	550	1,089
	$ 2,099	$ 2,153

The lease payments recognized as expenses were as follows:

	Year Ended December 31	
	2018	2017
Minimum lease payment	$ 1,596	$ 1,501

b. The Company as lessor

The Company leases out portions of its offices to HeFeChip Corporation Limited and Optigate Inc. under operating lease agreements. The lease terms were agreed upon and detailed in the lease agreements.

The future minimum lease payments receivable on non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 3,363	$ 1,984

As of December 31, 2018 and 2017, guarantee deposits received under operating lease agreements were both $530 thousand.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy has no significant changes.

The capital structure of the Company consists of issued ordinary shares, capital surplus, retained earnings and other equity.

The Company is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ 19,180	$ -	$ 19,180

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	Estimate the value of the target by estimating the assets and liabilities items or use the observable stocks price company comparing items of balance sheet or income statement, calculate the implied value multiplier for the price and evaluate the value of the target at balance sheet dates.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 1,782,583
Financial asset at amortized cost (Note 2)	1,497,322	-
Investment in equity instrument at FVTOCI	19,180	-
Financial liabilities		
Amortized cost (Note 3)	24,171	25,209

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash, accounts receivable, other receivables, other receivables - related parties, other current assets and investments in debt instrument without active market.

Note 2: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivables, other receivables, other receivables-related parties and other current assets.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise other payables and payables on equipment.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, accounts receivable and other payables. The Company's corporate financial management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Company's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 29.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuation of USD, CNY and JPY.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable, other receivables, payables on equipment and other payables.

	USD Impact		CNY Impact		JPY Impact	
	Year Ended December 31		Year Ended December 31		Year Ended December 31	
	2018	2017	2018	2017	2018	2017
Profit or loss	$ 10,954	$ 5,605	$ 1,131	$ 1,144	$ 15	$ 37

b) Interest rate risk

The Company is exposed to interest rate risk arising from financial assets both at fixed and floating interest rates.

The carrying amounts of the Company's financial assets with exposure to interest rates at the end of the reporting periods were as follows:

		December 31		
		2018		2017
Fair value interest rate risk				
Financial assets	$	843,230	$	1,220,216
Cash flow interest rate risk				
Financial assets		492,360		477,054

Sensitivity analysis

The sensitivity analyses below are determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by $492 thousand and $477 thousand, respectively, mainly due to the Company's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

In order to minimize credit risk, the Company has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Company did not have significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 8,106	$ 15,759	$ 836	$ 24,701

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 9,015	$ 15,888	$ 836	$ 25,739

27. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and category

Related Party Name	Related Party Category
Lotus Glade Investment Inc.	Subsidiaries
iMQ Technology Inc.	Associates
Powerchip Technology Corporation	Substantive related parties
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties
PowerFlash Technology Corp.	Substantive related parties
Syntronix Corporation	Substantive related parties
HeFeChip Corporation Limited	Substantive related parties
Optigate Inc.	Substantive related parties

b. Operating revenue

Line Items	Related Party Category	Year Ended December 31 2018	2017
Sales	Substantive related parties	$ 44,707	$ 76,443
	Associates	1,802	1,823
		$ 46,509	$ 78,266

The prices that the Company transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Operating expense

Line Items	Related Party Category	Year Ended December 31 2018	2017
Other operating expense	Substantive related parties	$ -	$ 35

d. Other income

Line Items	Related Party Category	Year Ended December 31 2018	2017
Remuneration of directors received	Substantive related parties		
	Powerchip Technology Corporation	$ 10,000	$ 9,000
	Others	23	-
		$ 10,023	$ 9,000
Rental income	Substantive related parties		
	HeFeChip Corporation Limited	$ 3,335	$ 1,390
	PowerFlash Technology Corp.	-	284
	Others	10	20
		$ 3,345	$ 1,694
Dividend income	Substantive related parties		
	Powerchip Technology Corporation	$ -	$ 539

The prices and payment terms of the lease agreements between the Company and related parties were decided by the two sides.

e. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Category	December 31 2018	2017
Other receivables - related parties	Substantive related parties		
	HeFeChip Corporation Limited	$ 251	$ 577

f. Contract Liabilities

Related Party Category	December 31, 2018
Associates	$ 1,312
Substantive related parties	452
	$ 1,764

g. Other current liabilities

Line Items	Related Party Category	December 31	
		2018	2017
Receipt in advance	Substantive related parties		
	HeFeChip Corporation Limited	$ 550	$ 550
	Associates	-	457
		$ 550	$ 1,007
Temporary receipt	Substantive related parties		
	Optigate Inc.	$ -	$ 10

h. Guarantee deposits received

Line Items	Related Party Category	December 31	
		2018	2017
Guarantee deposits received	Substantive related parties		
	HeFeChip Corporation Limited	$ 520	$ 520
	Others	-	10
		$ 520	$ 530

i. Compensation of key management personnel

The compensation to directors and the key management personnel were as follows:

	Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 85,100	$ 79,284
Post-employment benefits	1,002	989
Share-based payment transactions	4,696	7,358
	$ 90,798	$ 87,631

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as deposits for the tariff of imported raw materials:

	December 31	
	2018	2017
Pledged time deposits (classified as financial assets a amortized cost)	$ 112	$ -
Pledged time deposits (classified as investments in debt instrument without active market)	-	111
	$ 112	$ 111

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,158	30.715	$ 219,843
CNY	5,057	4.472	22,614
JPY	1,087	0.2782	302
			$ 242,759
Financial liabilities			
Monetary items			
USD	25	30.715	$ 754

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,778	29.760	$ 112,435
CNY	5,014	4.565	22,889
JPY	2,821	0.2642	745
			$ 136,069

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 12	29.760	$ 344
EUR	4	35.570	141
			$ 485

(Concluded)

The significant unrealized foreign exchange gains (losses) were as follows:

	Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.715 (USD:NTD)	$ 2,070	29.760 (USD:NTD)	$ (1,996)

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities). (Table 1)

2) Information on investees. (Table 2)

b. Information on investments in mainland China: (None)

TABLE 1

EMEMORY TECHNOLOGY INC.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
eMemory Technology Inc.	Shares							
	Powerchip Technology Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	583	$ 12,260	-	$ 12,260	Note 2
	Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,100	6,920	2.81	6,920	Note 2
	PowerFlash Technology Corp.	The Company is its director.	Financial assets at fair value through other comprehensive income - noncurrent	40	-	3.99	-	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of December 31, 2018.

Note 3: As of December 31, 2018, the above marketable securities had not been pledged or mortgaged.

TABLE 2

EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
eMemory Technology Inc.	iMQ Technology Inc.	Hsinchu City	Electronic Parts and Components Manufacturing	$ 27,900	$ 27,900	2,057	4.25	$ 6,046	$(102,503)	$ (4,356)	Investment accounted for using equity method

eMemory Technology Inc.

Chairman：Charles Hsu